

THE HUMAN PERSON IN NORMATIVE ECONOMICS

SERGE-CHRISTOPHE KOLM*

1. *Introduction*

Normative judgments about economic life and its consequences determine a large part of the world we live in: our economic systems and their rules; the division between private activities and the public and political sector; public transfers, taxes and expenditures; the distribution of income and resources; economic policies; world economic organizations, institutions, and their rules and policies; and so on. Private interests are defended and justified by moral arguments. Favouring some kind of 'spontaneous order' is but one of the a priori possible positions and solutions.

Are these judgments justified? They refer to values such as freedom and rights, welfare and happiness, and community, and to assumptions about human possibilities. That is, their concepts rest on a conception – or on conceptions – of the nature of man and society, on a philosophical anthropology. Hence, judging these judgments requires, first of all, clarifying their explicit or implicit presuppositions about human nature, which constitute the material of their reasoning and the basis of their conclusions.

Economics, the science of economic life (or of the 'economic aspect' of life), has for long been eagerly criticized in this respect, both about its conception of man and about normative conclusions derived from it. Yet, it does not reduce to the 'dismal science' denounced by Carlisle, to the individualistic 'Robinsonades' calling exploitation freedom described by Marx, or to political prejudices sold with analyses but hardly derived from them. In fact, economics has even produced one of its branches – normative economics – specialized in the analysis of its normative questions and conclusions. This may open the door to still more mistakes, possibly with disas-

* *Ecole des Hautes Etudes en Sciences Sociales and Institut d'Economie Publique.*

trous consequences, or to the correction of some mistakes or the acknowledgment that some others did not really exist. At any rate, it seems important to make clear and explicit the views of man and society that underlie normative economics as it has actually developed, to point out their shortcomings, the attempts to remedy them, and the possible contributions of these conceptions to understanding and evaluation. Yet, we should first see that, since normative economics is made for application, its useful – and hence relevant – models of man and society are often imposed by the views held by societies whose basic values or principles it is asked to apply and which will have to implement the conclusions.

We will first show examples of questions asked to normative economics (Section 2). The fact that such normative questions are posed and that policies will apply answers imply – notably in democracies – that people have moral and altruistic concerns beyond their self-interest. In fact, economics has for long developed models of individuals with altruistic and moral concerns – contrary to a popular view (Section 3). Moreover, the necessity of considering questions asked and providing answers applicable by the society both provides the conceptual material for dealing with the problems and constrains the concepts used and the solutions proposed (Sections 4 and 5). Normative economics often uses the model of individuals endowed with preferences and ‘utility’ common in all economics, it – indeed – adds particular uses of these powerful concepts which can represent both freedom and welfare or happiness, but it has to be particularly careful about their meanings and epistemic status (Section 6). Issues of economic justice and fairness require particular emphases on the questions of impartiality, equality, and inequality, and on the relevant objects of these concepts (Section 7). The free individual has for long been central in economic views, and it has led to values of social (‘negative’) freedom, of real freedom and freedom of choice, and of responsibility (plus desert and merit when they result from free effort); the distinction between freedom and self-ownership is central in the solution of the question of economic justice (Section 8). The question of the efficient alleviation of misery by public transfers or private charity raises subtle and important issues based on the various types of altruism and reasons for giving (Section 9). Moreover, policies of ‘development’ have been particularly oblivious of the values of cultures and civilizations both for the people and intrinsically, with consequences which are one of the major catastrophes of our world (Section 10). The famous virtue of efficiency of selfishness in exchange requires, in fact, non-selfish attitudes of

respect of others' property, truth-telling, and trustworthiness (Section 11). Collective action and spontaneous contributions to public goods are also possible only thanks to a number of sentiments which are not strict self-interest (Section 12). Sentiments and relations of reciprocity of various types constitute a pervasive mode of economic and other relations (Section 13). This is a central concept in present economic analyzes of the family, organizations, labour relations, and the political and public system (Section 14). In the end, good relations and good people are no less important than satisfied consumers and just distributions for the quality of society (Section 15). Normative economics has thus considered and analyzed a number of features of the human person in social setting and drawn notable conclusions from them; undoubtedly, this cannot be seen as constituting a very deep view of the human person; but would such a deeper view describe anything actual, or at least useful for alleviating need or remedying lack of freedom, dignity, or culture? (Section 16).

I. THE GOOD ALLOCATION FROM PERSONS' MORAL JUDGMENTS

2. *The Proper Allocation of Resources*

If economics is seen as the science of the allocation of scarce resources – a common although restrictive definition –, normative economics is the discipline in charge of the non-negligible task of organizing reflection about the proper allocation and modes of allocation of these resources. How can one alleviate the distress due to misery? Can different policies make everyone happier or freer? Who needs what? Who deserves what? Who is entitled to what? What is fair? Who should give what to whom? What should be left to the market or realized by government or through associations? What are the proper public expenditures and taxes? What should we leave to future generations or take from them by public borrowing? What is the optimum compromise between unemployment and inflation when there is such a choice? Should we 'aid development'? Answering these questions and others certainly implies assumptions about what is relevant in the human person as end-values and about human capacities. The very fact that such questions are asked and that proposed answers are assumed to be able to have any influence on actions implies and reveals such assumptions. Conceptions of the human person underlie both the values and the means of reaching them, the moral and the economics.

Hence, one cannot fail to admire the extraordinary success of various classical schools of normative economics with respect to the highly praised scientific virtue of the parsimony of hypotheses, and be astounded by how much has been written on the basis of how little concerning aspects of the human person. This goes from the utilitarian who sees man as a pleasure machine adding to the heap of 'social happiness' (or 'society's happiness'), to the (process-) liberal who prides himself of not being concerned about what people do, in passing by the egalitarian whose only concern is to count people for dividing equally, the social choice theorist for whom a person is simply not jointly preferring a to b , b to c , and c to a , and the 'developer' who knows individuals' needs better than the persons in question know themselves.

But is Occam's razor a valid principle for moral conclusions? And, indeed, when you have to be practical, demands for further precision flow in: What can be the meaning of adding the pleasures of different persons? Should you also alleviate misery when it is due to envy? Which needs are basic? What is the borderline between two people's liberty? Or are the relevant freedoms intrinsically non-rival? What should you equally share? How many euros less for a rich are worth one euro more for a poor? Is the transitivity of preferences any sufficient? Should you enforce persons' values against their own selfish greed? How can you both praise favouring one's nephew and condemn nepotism? Will future generations want to have helped their grand parents through public borrowing for which they pay? Should policies 'develop' when this entails the death of traditional civilizations? The list can be long, but the lesson is clear. What normative economics has to propose about the human person are not answers but questions, lessons from theoretical and (alas) applied mistakes, a vast field of important applications for persons who have answers about what a person is, and possibly valid ways of avoiding deep and difficult questions in some important policy proposals.

However, in the process of its quest, normative economics has built a number of formal theories about conducts of individuals and structures of their mind, and about interactions and comparisons among people. These are in no way profound, tangible understanding of human nature, as those to be found, notably, in psychological philosophy, advanced Buddhist psychology,¹ even psychoanalysis (*cum grano salis*), or a few pages in sociolo-

¹ See, e.g., *Le Bonheur-Liberté, Bouddhisme profond et modernité*, S.-Ch. Kolm (1982).

gy and anthropology. Yet, they have to be considered because the conclusions derived from some of them may influence policies, and, in the end, importantly influence our lives and the world we live in. Moreover, these models of man may have some intrinsic interest. They may help explaining – if not understanding –, they may provide a framework which imposes possibly relevant precisions and specifications, they may help making policy proposals operational, and they point out questions that have to be faced and, particularly, their relative importance or unimportance.

Such questions will for instance concern the issues of needs and suffering, types of happiness and of freedoms, reasons for altruism and giving, types of and reasons for reciprocity, envy and justice, the objects of impartiality and equality, the structure and objects of inequality, responsibility and accountability, merit and deservingness, human community and solidarity, the interactions between the interests and the values of a person, the formation of tastes and of values, communication and its effects, and the value of cultures. A main problem of normative economics concerns distributive fairness and justice. This leads to questions of comparisons across individuals, such as ‘who is happier’, ‘who is the most miserable’, or ‘who is freer’? Such questions may seem nonsensical and very scholastics, but assume you have only a little piece of bread for two starving persons (we do not even know, a priori, if we should give it to the person who suffers the most or to the person to whom it will provide the largest relief). We thus have to be concerned about what can mean ‘to each according to her need, effort, responsibility, merit, virtue, rights, entitlement, contribution, intentions, and so on’. This makes the classical and praiseworthy emphasis on the uniqueness and incomparability of each human person often besides the point. If you have to share, you have to compare. A contrario, it drives towards conceptions of ‘the human nature’, which happens to be also a demand of the classical scientific point of view (*il n’y a de science que du général*).

Now questions about the just allocation are asked by persons, available answers are proposed by persons, and realization will be decided and carried out by persons. Hence, people are not exclusively self-interested. Everybody knows it, but this is supposed to have to be pointed out when we deal with economics. Even phariseism using moral arguments for defending one’s interest assumes *ipso facto* that these arguments will influence some other people. In particular, in a democracy where the sovereign political power is diffused, realization by the public authority implies that many people have an opinion about what is just or fair. In fact, the very concepts for thinking about this topic are found in the

minds of people in society. I do not hope that answers can be obtained otherwise than by the mediation of properly considering people's opinions, that is, outside some *vox populi* carefully listen to (people who think they produce a solution out of their own mind are likely to be 'the unconscious victims of some dead economist' – as John Maynard Keynes puts it). Hence the very existence of the allocative problem posed, and any hope to usefully face it in theory and in practice, imply that people do not care exclusively about their own self-interest. Assuming otherwise would be a contradiction and imply arbitrariness and impotency. Now, a persisting rumour has it that this assumption of selfishness is precisely a central feature of economists' vision of the human being.

3. *Economists' Models of Man*

Indeed, exposing the mischiefs of economists' conception of the human person has been one of the most popular rhetorical exercises for almost two centuries. So much has been said that it could not be all wrong. For the same reason, yet, it might not be all true. One should be impressed by the indictment of the 'dismal science' by Carlisle, a close friend of John Stuart Mill – and who, therefore, should know what he speaks about. Yet, when you see that the alternative he proposes is a Nietzschean cult of the hero, one may wonder. Receiving fire from another side, one cannot fail to be impressed by Marx's irony about the 'Robinsonades' of individual choice and by his exposition of the objective hypocrisy of economists who call exploitation freedom. However, his most powerful adept published millions of copies of a pamphlet called 'Man, the most precious capital', which reveals a worrying instrumental view of the human person.

Many economists are still influenced by Adam Smith's remark that if you need something from somebody, you would do better to rely on his self-interest (in exchange) rather than on his benevolence. Yet, the famous first lines of the first book about society² of the founding father of economics are:

How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it. Of this kind is pity or compassion, the emotion which we feel for the misery of others,

² He had a previous book about astronomy.

when we either see it, or are made to conceive it in a very lively manner. That we often derive sorrow from the sorrow of others, is a matter of fact too obvious to require any instances to prove it ; for this sentiment, like all the other original passions of human nature, is by no means confined to the virtuous and humane, though they perhaps may feel it with the most exquisite sensibility. (The Theory of Moral Sentiments, Part I, Chapter 1, *On Sympathy*).

A next remark of this book is: 'Kindness is the parent of kindness, and if to be beloved by our brethren be the great objective of our ambition, the surest way of obtaining it is, by our conduct to show that we love them'. This may reveal a kind of basically self-centered *homo economicus* in the end, yet no more than 'give and you will be given to' (Luke).

The truest *homo economicus*, however, may be that of mathematical economists, since you cannot cheat with mathematics, can't you? Either it is written in the equations, or it is not. Yet, two founders of mathematical economics, Ysidro Edgeworth (1881) and, more fully, Vilfredo Pareto (1913, 1916), write the 'utility' of a person as an increasing function of the 'ophelimity' of others, by which they mean that you are happier, the higher the other person's welfare. They differ from a third founder, Léon Walras, and from John Stuart Mill, only because these two think that persons have multiple selves successively in time, in being altruistic and moral in their moments of calm reflection, rather than simultaneously along with their taking care of themselves (in fact, it is often in times of excitement in danger or in political debate that people turn out to be the most altruistic). And, indeed, Walras spent his nights a week-ends lecturing and writing about solidaristic workers' associations.

However, the basic issue is not so much such a time sequencing of the human person, than a distinction of the various types of relations in which he is engaged. This solution of the basic misunderstanding was presented the most clearly by the economist and Methodist Clergyman Philip Wicksteed (1888, 1906, 1933). Wicksteed points out that when economists analyze selfish behaviour in exchanges, they describe a particular type of relation rather than a particular selfish type of person. People seek to earn money to feed their family or give to charity. Persons are not egoistic, but only *non-tuistic* towards others in these particular relations, Wicksteed says. There is no 'economic man' in the classical sense, but only economic relations. In his terms: 'What makes it an economic transaction is that I am not considering you except as a link in the chain, or considering your desires except as the means by which I may gratify those of someone else – not necessarily myself. The

economic relation does not exclude from my mind every one but me, it potentially includes everyone but you'.³

Another economist, Robertson, even proposed that the purpose of these economic relations not using directly altruism is to 'economize on love', the scarcest resource. Kenneth Arrow (1974) echoed this famous remark in proposing that 'we do not wish to use up recklessly the scarce resources of altruistic motivation'. However, these economic conceptions bypass the point that altruism, like the capacity to love, is a virtue, and that this type of resource has the particularity – pointed out by Aristotle – that it is more augmented than eroded by use, that the more you use it, the more you have of it, because it is perfected by training and habit. This may be why the guru of English economics, Alfred Marshall (1890), after noticing that 'men are capable of more unselfish service than they render', sets the objective as 'the supreme aim of the economist is to discover how this latent asset can be developed more quickly and turned to account more wisely'.

Finally, one can no longer count the innumerable economists who think that the characteristic of economics' model of man is not egoism but the preference ordering and the so-called 'utility function' – shortly discussed. Then, it seems to be possible to account for people's altruistic sentiments in 'writing other people's welfare or means in utility functions'.⁴ However, the proper consideration or even only modelling of social sentiments often requires much more elaboration. For example, this simple technical device cannot explain private charity when several people independently give to the poor (these gifts are contributions to the 'public good' of helping the poor, and they should be fully 'crowded out' by public transfers). Considering that people care about their own contribution or donation ('writing them in the utility function') cannot provide the explanation either, notably for a large society.⁵ More specific social and moral sentiments have to be theorized, including sense of duty, generalization of the 'categorical imperative' type ('what if everybody did like me?'), or 'putative reciprocities' (I help because I would have been help if I needed it).⁶

³ An interesting discussion of this view of Wicksteed is provided by Ian Steedman (1989).

⁴ This economics of altruism is presented in Kolm 1966. People can value others' happiness, or directly their income or some other means, or some ambiguous conception of their 'welfare' (i.e., Pareto's ophelimity). Presently, economic studies along this line number by several hundreds.

⁵ See Kolm 2005, and Section 9.

⁶ Id.

4. *The Necessarily Moral Persons Subject of Normative Economics: the Normative Economist as Elephant Driver and Minerva's Owl*

This view of the human person as caring about others is basic for *explaining* a large part of the allocation of resources – the topic of ‘positive’ economics – through the family, charity, the public sector, and general respect of persons and their properties. Yet, for evaluating this allocation and advising about it – a task of *normative economics* –, this view of the person is a condition *sine qua non*. Indeed, as we have noted, the fact that a number of people care about others is necessary for the very existence of the normative problem of allocation and of the concepts that permit one to think about it and possibly to solve it, and also for the obtained result to have any influence and hence usefulness. In the absence of such altruistic sentiments, one could only try to explain allocations as the sole result of selfish fighting and threats. In particular, saying what should be done makes sense only if there exists people motivated by such normative advice, hence who are not classical *homines economici*. And when the application passes by the public sector, in a democracy these persons should be very numerous (the electorate, for instance). The classical economists’ assumption of a ‘benevolent dictator’, or of a ‘philosopher king’, flies in the face of what we know about the human person: kings are not philosophers and conversely, dictators claim to be benevolent but hardly are; and we live in Republics.

In fact, this even implies that there is no sense in proposing actions different from what influential groups of people want to do or can be convinced to desire. The normative economist is much like the mahout of the Thai proverb: ‘the elephant driver must be very careful about where the elephant wants to go’. Hence, normative economics makes sense only if it shows people what they really want to support. This implies having a view of the human person that includes its moral dimension.

This situation also implies that normative economics can usefully and rationally consider a value only if it is endorsed by sufficiently many people. The normative economist cannot impose values and therefore cannot choose them by himself. He has to come after the diffusion of values, after the success of the preacher.⁷ For instance, he can apply the values of a tradition only if people endorse and follow this tradition. Social values, nowadays, have unavoidably to be filtered by democracy – by the particular and

⁷ Yet, the economist as preacher is a common figure, but his discourse is beyond his analytical expertise, when he has one.

imperfect type of it that prevails. In another animal metaphor from a different tradition, normative economics is another Minerva's owl. Yet, the normative economist can take part in the discussion, and has to. Of course, if he wants to convince, he has to stoop to conquer and start from popular values. But his special expertise is indispensable for specifying imprecise emotional values into rational, logical, consistent, operational and applicable rules – think, for instance, of the notions of welfare, freedom, equality, solidarity, need satisfaction, responsibility, desert, merit, and so on. It is indispensable for pointing out with the required precision the relation between values, their possible incompatibility or implications, and the possible terms of the choice between them. It is also unavoidable for embodying the values into rules, laws, fiscal systems, or public expenditures with sufficient comprehensiveness and efficiency. It alone can show a number of consequences of the realization of a number of these values, notably concerning their effects on the economy, on people's welfare and on the distribution of wealth, and on a number of liberties. All these analyses and operations rest, at bottom, on the conceptions of the human person implied by the values in question.

Oblivion of the basic requirement that relevant values have to be socially endorsed has historically led vast stretches of normative economics to sterile conceptions. This applies in particular to utilitarianism, the evaluation of the society by the 'sum' of individuals' pleasures, happiness, 'felicity', or utility. The fact is that nobody uses such a principle for general evaluations – undoubtedly not the utilitarian scholars themselves when they make such judgments in real life. Rather, people use various criteria, with a large importance given to rights of various types as basic social ethical values. This is in fact a relief, because defining mental items that can generally be so added over various individuals is not easy! However, some judgments implicit by those who chose to utilitarianism exist. This is revealed by expressions such as 'give this to her rather than to him because she likes it more than he does', or 'let me do it rather than you because it is less painful for me to do than it is for you'. Yet, these cases are restricted to local issues, among other cases using various other principles, far from the universal application dreamed by utilitarian philosophers (and economists). One can remark, in the end, that Jeremy Bentham introduced this social ethical principle only for the political purpose of the ideological fight against the ethics of basic rights on which the American and French revolutions were built. In fact, he also said that he does not believe that adding the pleasures of various individuals makes sense, but this remark was ignored by his epigons.

Finding social ethical principles in the views of people and society – a method called ‘endogenous social choice’ – implies in particular that unanimity of reflective and thoughtful opinion cannot be disobeyed (this would even be a logical impossibility because, being in society, you share this unanimous view by hypothesis, and hence you cannot want to disobey it – ‘we are all embarked’, Pascal said). Hence, an allocative solution should not be proposed if everyone thinks that a better one is possible. Such a structural consequence of the principle of unanimity is usually considered by economists with respect to persons’ self-interest: from such a ‘Pareto efficient’ state, it is not possible to jointly improve everybody’s welfare. Avoiding not being in such a state – avoiding ‘social waste’ so defined – is considered the first question posed to normative economics. Economists consider choosing among such states to be the problem of ‘distribution’ properly posed. Finding the solution of this question in society requires considering the opinions of persons when they take a higher standpoint, for instance when they judge morally conflicts of interests. However, these higher views held by the persons may still differ, because they have different values and because they may remain somewhat influenced by their own self-interest (people may be *phariseans*, i.e. defend their interest with moral arguments, but they may more or less believe in these moral reasons). Yet, a basic logical property shows that a progress has nevertheless been made in the direction of unanimous agreement if individuals’ moral judgments are charitable or benevolent, in the sense that they always approve that some people are better-off while none is worse-off. In this case, indeed, a state that makes everyone (self-interestedly) better-off than he is in some other state is also unanimously judged better than the latter on moral grounds. Hence, if a possible state is such that no other possible state is unanimously found morally better (a morally Pareto-efficient state), then it is also such that no other possible state makes everyone (self-interestedly) better-off (a self-interested Pareto-efficient state). Moreover, there generally exist possible states such that no other possible state makes everybody better-off whereas some other possible states are unanimously morally preferred. For instance, in the latter states people have unanimously morally agreed to diminish poverty at some material cost for the wealthier. Hence, passing at the moral level has unambiguously diminished the set of states among which there is some disagreement.⁸

⁸ In this specific and precise sense, the ‘overlapping consensus’ considered by John Rawls unambiguously expands in passing from the self-interest of people to their benevo-

Further considerations make personal judgments still more similar in further expanding the scope of the consensus of unanimous preferences and restricting the set of states among which some disagreement exists. A main step will be a requirement of impartiality, shortly considered. The basic issue is that moral views are caused by influence, reasoning, personal experience, and sensitivity. They become more similar when these causes become more similar. And all these causes except some innate physiological basis of sensitivity are influenced by information, notably about other people's moral views and personal experiences, and about reasons. Dialog is a main way of transmitting such information. Limits to these processes can be notionally waved thanks to theories of these effects.⁹ In the end, the solution importantly depends on the cognitive, rational, and emotional structure of the human mind concerning humans as individuals and as constituting communities.

5. *Limits to Depth: Common Understanding and Comparisons*

However, this structure is in itself a priori largely formal, and more specific and tangible properties are needed for applications. Yet, difficulties in this direction and in basing normative economics on a deeper view of the human person are a priori raised by two intrinsic aspects of the problem: the necessity of abiding by common views and of comparing persons for allocating resources (other difficulties come from the tradition of disciplines and the culture and imagination of scholars). Indeed, one has to take account of common opinions which may not be based on a deep understanding, and comparing across persons raises further problems rarely faced by other specialists (such as psychologists) except when, precisely, an issue of justice is raised (as it happens for law about rights or welfare when it compares cases or has to define equality of to compute *praetium doloris* or fair compensations). However, the reference to common opinion is also the main source of solution for the latter problem, sometimes in showing that specific difficult questions are in fact irrelevant, as we will see. A number of a priori puzzling basic questions have been avoided or solved in this way. Yet, we probably still have things to learn about issues such as needs, empathy, or sense of community. Normative economists can learn from

lent and respectful social ethical judgment. This property was first perceived, about an example, by the English economist Y. Edgeworth in 1881.

⁹ See Kolm 2004, Part IV.

other scholars, but a difficulty comes from the fact that they need answers to questions that are not emphasized, at least with the precision required, often, as noted, in the family of interpersonal comparison, such as comparing, comparing variations, aggregating, and the like, applied, a priori, to items such as persons' needs, happiness, freedoms of various types, and so on, not to mention issues of personal consideration or dignity when they meet questions of scarcity.

For instance, some applications require the consideration of human happiness or suffering. Normative economists can then become knowledgeable about this topic and become experts about pain, anguish, anxiety, frustration, shame, serenity, *ataraxy*, joy, excitement, exhilaration, fulfillment, *eudaemonia*, and the like. Yet, what will first be required from them is comparing across persons, for alleviating the deepest pain or realizing some other allocation according to values based on such sentiments. It is sometimes clear that one person is happier or more miserable than another. For instance, one is happy, or miserable, and the other is not. It is also of course not possible to tell in many cases. Yet, this sometimes is a question of information rather than an intrinsic impossibility – for instance, a common close friend or a common mother may be able to compare. The main difficulty, however, rests in comparing happinesses or sufferings of different natures. For the same person, the comparison can be made by this person's choice among situations with different types of satisfaction or dissatisfaction. But this solution is not available for different people. Even for the same person, the case is not easy if one attaches a moral value to the type of satisfaction, not only for discarding envy, sadism or *shadenfreude*, but also, as John Stuart Mill did for example, in finding the pleasure from reading poetry superior to that derived from playing pushpin.

However, if the problem is difficult for the ethical analyst, it also is for the *vox populi* which necessarily leads his relevant choices. Yet, following people's views often solves the problem in another way: in proposing that the difficult question is not the relevant one. For example, the most mundane topic of normative economics is the determination of the proper income tax, and this is indeed a main distributive problem in our societies. A long economic tradition has tried to solve this problem basically from comparisons of variations in people's satisfaction, in a refined way with James Mirrlees (1971) and Partha Dasgupta and Peter Hammond (1980). However, people do not think that someone should pay a higher income tax than someone else as a compensation for his higher capacity to enjoy the remaining income or, on the contrary, because he is less able to derive sat-

isfaction from what is taken from him. People are not worried about choosing between these two contradictory solutions – or some intermediate case – because they think that the eudemonistic capacities of individuals – their capacities to derive pleasure or happiness – are irrelevant for this question. Then, deriving the logical consequences of unanimous views of people and of the relevant facts leads to the solution, shortly noted, which is a kind of equal sharing of given resources. A practical solution is thus obtained by logical necessity, but at the cost of not being forced to have a deep view or analysis of the human person.

The limits of the common conception and understanding of the human person affect normative economics not only in limiting solutions that people can understand, accept, and implement, but also, to begin with, in setting the problems it has to solve. Indeed, the question of scarcity and its consequences such as the problem of distributive justice would vanish, or at least be very different, if people were aware of the possibility of mastering the birth of their desires, a way they would choose if they knew its effects and how to do it. Yet, this information requires teachers, training, and time, and is not a possible part of the solution on a sufficient scale and in the short run, although culture and education can induce some progress in this way. However, a main characteristic of present-day economics as a whole is that it takes preferences and tastes as more rigid, given, and exogenous than they actually are – although some studies provide exceptions –, and its analysis of the structure, ways and possibilities of the self-formation of preferences (and of the related mental freedom and autonomy) has been still more scant.¹⁰ In historical perspective, this is an impoverishment of thought and culture, since the direct ancestors of economics, the utilitarian philosophers of the 18th century, drew their inspiration from stoic and epicurean philosophies which centered on this self-formation.¹¹ This question is to be related to that of altruism, which can also reduce conflicts due to sharing scarce resources. This has been more studied by economics, as we have seen. Yet, there remain things to be learnt in this respect, notably concerning the question of community, and there also remains to choose the non-conflicting allocations. At any rate, economics is largely a second-best question: the scarcity of resources would be much less a problem if human capacities for self-formation and general altruism were not so scarce.

¹⁰ See Kolm 1982 and in Elster, ed. (1986).

¹¹ See Rosen (2003).

II. RATIONALITY, IMPARTIALITY, LIBERTY

6. *The Rational Preferer*

Normative economics, which is intrinsically economics by its main topic (be it economic life, economic aspects of life, or the allocation of resources), also de facto relates to economics in general by the conceptual tools it commonly uses. Yet, it adds specific applications and emphasises specific meanings of these concepts. A most basic of these tools is a kind of view of the human person. This is the assumption that the person is a priori endowed with an 'order of preference' between alternatives, or that he behaves as if this were the case. These 'preferences' compare each pair of possible alternatives, with conditions of consistency (alternative *a* preferred to alternative *b* excludes *b* preferred to *a*, and 'transitivity' saying that *a* preferred to *b* and *b* preferred to *c* implies *a* preferred to *c* plus the obvious introduction of indifference). Then, a person's choice is 'explained' by her choosing her most preferred alternative among the possible ones. This preference ordering is often representable and represented by an (ordinal) 'utility function' that the person seeks to maximize (at any rate, his acts are assumed to have this effect). This 'utility' – further discussed shortly – is how the concept was introduced. The basic reason for this device, and the reason why economists who explicitly consider individuals almost always use it, is that it summarizes the person's motives (tastes for the consumer) in a theory of choice and of the resulting actions. The origin of these preferences is almost always not studied (only a few formal structures are assumed), because this is considered another problem, not the economist's – probably that of the psychologist. Thus, these preferences can be an assumption about the division of labour among disciplines. However, psychologists hardly care to provide preference orderings: when they study motives, they usually go directly to the resulting actions (similarly, the philosophers Frege and Wittgenstein were astounded by such a theory where 'action flows from preferences like water from a reservoir').¹²

Yet, this basic meaning and intent is lost in the most 'depsychologized' conception of these preferences. This notion holds that the structural properties noted above, notably transitivity, are only a property of rationality of

¹² The main efforts for translating findings of experimental psychology into structures of utility functions are probably those of the economist Louis Lévy-Garboua (2004, 2005). See also Kahneman and Tversky (1984) and Payne, Bettman and Johnson (1992).

the person who binds herself to obey them in his choices (this view even defines 'rationality' as being these properties).¹³ These properties are usually assumed without justification. However, they can also be backed by psychological considerations. Choosing *a* rather than *b* and *b* rather than *a*, or, more subtly, choosing *a* rather than *b*, *b* rather than *c*, and *c* rather than *a*, may be felt by the person as a kind of inconsistency, which produces in her a kind of disagreeable cognitive dissonance, which she tries to avoid in respecting these ordering properties. Yet, the basic notion that preferences represent the underlying tangible set of motives is now out of sight (and another psychological explanation is brought back in).

Moreover, this rationality-as-consistency approach to preferences has the ambiguous merit that it can make the hypothesis of this ordering robust to the point of being unfalsifiable. Indeed, a person's preferences can be dated, they exist at a certain date. Now, if the person's actions violate the properties (such as transitivity or consequences it implies),¹⁴ this always requires several actions occurring at several dates, and it can be said that the underlying preferences are not the same at these different dates. Then, the preference ordering belongs to what Karl Popper calls 'metaphysics'. The falsifiable property is only a certain stability in time of the preference ordering. This relates to a classical philosophical discussion about the person's 'self' as being characterized by duration or consistency in time. Yet, it is strange that a psychological concept can be untestable, and yet both fully precise (indeed, mathematical – Popper's examples of unfalsifiable properties rest on the vagueness and lack of precise definition of the concepts) and so rich in varied implications. These specific implications are multiplied when we reach the normative applications, which are considered now.

¹³ The label 'rationality' was applied to this 'maximizing behaviour' by some economists (including John Hicks) for the purpose of giving a favourable and impressive name to this hypothesis which was so convenient for economic modelling but which they did not know how to justify, in the hope that this would make it more acceptable without questions. The term may fit better if applied to the noted formal ordering properties. This is clear for not preferring both *a* to *b* and *b* to *a*, which would be a contradiction. Yet, it is not sure that lack of transitivity is such a contradiction, or, perhaps, one should consider that its usual cause is focussing on different aspects of the items *a*, *b*, and *c* when making each pairwise choice, and this lack of overall consideration would be irrationality in attention. If, for instance, one considers a most general concept of rationality, that of a choice or action being 'for a reason' or justified, then its application to transitivity would be that preferring *a* to *b* and *b* to *c* would be a reason (or a good reason) for preferring *a* to *c*.

¹⁴ For instance, choosing *a* in a possibility set *A* and *b* in a possibility set *B* whereas *a* and *b* both belong to both *A* and *B*.

Historically, this hypothesis of 'maximizing behaviour' is derived from the theory of 'utility' by which individuals were supposed to seek the highest happiness or pleasure. Present-day economists keep this formal structure, but their behaviourist tastes lead them to shun these tangible psychological interpretations. Normative economics commonly shares this use of this conceptual representation and tool, but it needs a few additions. To begin with, the historical and classical tangible meaning of utility as happiness, or something like it, has often to be kept for normative uses. Indeed, in many of these applications of this concept there is not even an individual's choice but only the consideration of levels of what is sometimes called 'satisfaction' for fear of using the heavily psychological notion of happiness, but has often to mean about this for the desired normative conclusions. Yet, choice from preferences is also commonly considered, with three possible effects. First, this may just be intended as a kind of explanation of choice and behaviour, as in all economics.

Second, preferring may in addition be taken to mean 'being happier with', and this raises two issues. On the one hand, this provides the magnificent trick which enables one to say that free choice provides the highest possible happiness. Hence, roughly, if you want the person's happiness, you cannot do better than *laissez faire, laissez passer*. This is the basis of the classical 'welfarist' justification of the free market, and this is used in many other applications. On the other hand, however, this consideration assumes that the person chooses what makes him happier, or more satisfied, which is a strong behavioural hypothesis. Note that the hypothesis may be as much about the definition of happiness as about human conduct. If you define the person's happiness as that which he maximizes by his choice, the hypothesis is true but a simple tautology. And, indeed, the variety in the concept and fact of happiness is a priori a general problem for this eudemonistic interpretation of the preference ordering or the 'utility' function.

The third issue about choosing from preferences comes from the fact that choice manifests freedom, which is also a value in itself, in fact the other type of individualistic value as contrasted with happiness, satisfaction, welfare, lower suffering, and the like. This, of course, raises a form of the classical question: if choice and action are determined by preferences, are they actually free? The answer is a discussion based on the following remarks: by definition, an act is free in so far as it is determined by the will or by reason (two conceptions), but the will and preferences are joint caus-

es of the choice (which leads to specifying the meaning of 'in so far as'), and preferences are sometimes more or less influenced by reason.¹⁵

These possible meanings of preferences and utility functions, and the extraordinary formal versatility of this concept, have permitted one to provide formal models of important psychological structures, with various normative consequences exhibited thanks to these precise representations. For instance, an economic theory of psychoanalysis shows the ways in which the normative *superego* both confronts the impulsive *id* and reality thanks to the *ego*, and regulates interpersonal relations; a theory of comparative social sentiments and notably envy shows how to discount such sentiments for normative studies – see below – and important relations between equality, freedom, and these sentiments or their absence; a theory of the self-formation of preferences shows the psychological logic of this action and how this can more or less affect the economic problem; the structures of altruistic sentiments have been closely analyzed in this way; such studies have also helped us understand relations of reciprocity and their consequences (see below); formal theories of the multiple self have a number of types and applications; and so on.¹⁶

Finally, the necessity of deriving the relevant norms and values from the opinions of persons or of society often leads one to consider that persons are endowed not with one but with two (at least) sets of preferences, one concerned with their interest and the other describing their moral or social values – as we have seen. The person in complete normative economics thus tends to have a multiple self, at least an 'economic' self and a moral self. This structure does not seem too unrealistic. The moral ordering describes in particular the person's moral judgment about the allocation of resources, his altruism, and his sense of justice. However, one has to go behind these structures and look for their causes, notably because these preferences can change and be different. These causes are of course very different for tastes and for values, which these two types of preferences represent. And the normative solution is largely derived from similarities between the value preferences of the various people and from

¹⁵ The definition of the will also has to be specified: weakness of the will (*akrasia*) is freedom if it is considered an intrinsic property of the will and unfreedom if it is considered an external obstacle to it. Of course, the will and reason are themselves processes involving more primitive psychological elements in dynamic interactions (cf. Kolm 1982).

¹⁶ See, notably, Kolm (1966, 1971, 1981, 1982, 1984, 1987, 1995, 2005), Elster (1986), Rabin (1993), Lévy-Garboua, Meidinger and Rappoport (2005).

influences among them. Passing from the self-interested preferences of people to their moral preferences is clearly in the direction of a progress towards the solution of the central problem posed, the proper allocation of scarce resources. Indeed, people's self-interests are a priori intrinsically directly opposed in this allocation, whereas this is not necessarily the case for their moral preferences. We have seen that the sole general property of benevolence of all moral preferences implies that people's moral evaluations are closer to one another than their self-interests are, in a specific but uncontroversial sense. By extension, this suggests that the more people value others' interest, the less they disagree about the proper allocation. However, this view raises two questions. First, people should not go so far as sacrificing their own interest to those of others – that is, becoming altruists in the sense of Auguste Comte when he introduced this term. They should stop at impartiality. Second, not all aspects of individuals' interest may be relevant: this depends on the conception of the human person deemed to be relevant for this distributive issue.¹⁷

7. The Capacity for Impartiality and the Ideal Equalizand

The objective of evaluating allocations to people implies that a basic value to consider is justice or fairness. The sense of justice implies one property of the human person, this strange capacity of abstracting from oneself and seeing oneself as anybody else, Thomas Nagel's 'view from nowhere',¹⁸ namely impartiality. The classical image (Hutcheson, Hume, A. Smith, J.S. Mill, etc.) is that of an 'impartial spectator' 'resting in the breast of each of us' (Smith). However, impartiality in itself does not suffice for defining the principle of justice, contrary to what a number of these scholars believed. Indeed, it can apply to various possible aspects of the person and of his situation that are deemed relevant. And the choice of these aspects implies a crucial distinction, in the person, between what is con-

¹⁷ Preference orderings have thus been used in a large variety of ways in normative economics. A question that arises in various guises is that of deriving, from the set of functions or orderings that represent individuals' utility, welfare, ophelimity or values, a unique maximand or ordering, to be used for the social choice or for an evaluation, that represents an individual's overall utility (Pareto) or social ethical evaluation (Bergson 1966), or a social ethical maximand (utilitarianism and again Pareto) or society's preferences (Arrow 1951, 1963, which launched an extensive investigation of the logic of this aggregation of orderings).

¹⁸ The contrary of now-here, *hic et nunc*.

sidered under social responsibility with the requirement of impartiality, and the residual that is left to the accountability of the individual himself. This choice is a basic option about the retained concept of the person in society. This issue is particularly clear concerning a logical consequence of impartiality, the ideal of equality. Such an ideal is, indeed, a necessary consequence of impartiality and of rationality in the primitive sense of 'for a reason' – this technicality is not developed here, but the relation is probably intuitive.¹⁹ According to the noted dichotomy in the person, this equality can be in very different things, for instance in basic rights and freedoms ('men are free and equal in rights' are the first words of the 1789 Declaration) as well as in wealth or happiness (if such an equality can be defined), or in the right to a minimum income or to some specific good. The implication between justice and (some) equality is the historical basis of this reflection; Aristotle remarks that 'justice is equality, as everybody thinks it is, quite apart from any other consideration', and he discusses, after Plato, the types of equality (strict or in proportion) according to the type of issue (sharing a given item or rewarding merit or responsibility).²⁰ More generally, equality can be of an item – of any nature – or of a rule, that is, a function from some characteristics or acts to such items.

Hence, the nature of the ideal equalizand defines the conception of the human person that is deemed relevant for the just society. The alternatives refer first to the two polar conceptions of the person as a choosing agent and as a sentient being. The former entails values of freedom and responsibility. The latter focuses on the relief of suffering, on varieties of happiness, and on their conditions of well-being and welfare. Other focal items are mixed or intermediate. Merit and desert remunerate effort (or cost) irrespective of choice, but this can be freely chosen effort; the difference between both concepts is that people are a priori entitled to the effects of their own capacities with merit, whereas this is not the case for desert. Welfare requires goods. Income provides the freedom for acquiring them (it is 'purchasing power'). Other values seem right in between freedom and happiness, such as self-fulfilment, or Aristotle's own *eudaimonia* (usually translated as happiness) and activity. These values are moreover *prima facie* correlated: the eudemonistic chooser manages to be happier with more freedom and means; he may even value the possibility of choosing per se

¹⁹ See notably Kolm 1998 (English translation of 1971/1972), Foreword, Section 5.

²⁰ *Nicomachean Ethics* and *Eudemian Ethics*, and *The Laws*.

and the ensuing responsibility – although the costs and the anguish of choice, and a possible aversion to responsibility, may have the opposite effect; and his unhappiness constitutes a constraint (since he would like to get rid of it). However, each choice of a specific equalizand gives a different solution to the problem of allocation.

More generally, for whatever normative use, one may be led to perform a dichotomy of the person into what is relevant and what is not, for keeping only the former aspect. The person is then replaced in the reasoning by a notional but relevant, ‘cleaned’ individuality. This applies notably to the person’s preferences representing motives or tastes. This operation is then called the ‘laundrying or ironing of preferences’.²¹ This conceptual disentangling of the various psychological aspects of the person is more or less difficult or easy, depending on the case. For example, an important and easy case is that of negative comparative social sentiments such that envy, jealousy, or sentiment of superiority (we would not want to give less to some person only because someone else is envious). The notional ablation of these sentiments is straightforwardly technically performed in replacing, in the objects of the person’s preferences (or in his utility function), the items of the other persons that this person compares to his own by items identical to his own. Then, the comparative sentiments have no ground to apply.²² The actual individual is not a better person (the normative economist is not a preacher), but, at least, his perverse sentiments have no influence on the chosen policy and on its consequences for other people.

8. *Social Freedom or Self-Ownership*

Social freedom is, for each person, an absence of forceful interference by others as individuals, in groups, or in institutions. Each is only constrained, if necessary, not to forcefully interfere with others. Free interaction, agreement, and exchange are possible (and important). Respecting others’ actions implies respecting their intended consequences, for instance rights acquired in exchange. Public constraint enforces the respect of the rule (including explicit or implicit collective agreement). The ‘negative freedom’ of some philosophers (Kant, John Stuart Mill, Berlin, for instance) describes the basis of social freedom, and the classical basic rights or freedoms state its application to main domains. Social freedom thus is the

²¹ Goodin, 1986.

²² See Kolm, 1995.

basic rule of our societies. The social freedoms of various individuals are not rival and hence can be full and at satiety for all (oppositions can only come from a lack of definition of rights).²³ Social freedom can be valued for itself, but also as a consequence of rationality, since each consistent individual wants not to be forced and hence, if he takes a view of justice which is by nature impartial, he has to want social freedom for all.

Valuing social freedom is process liberalism (simply called liberalism in European languages other than modern English).²⁴ Most economists have been such process liberals. The underlying concept of the person is the classical one presented in law. However, economists do not see social freedom as an end value only. They emphasize its role of means in exchange and the resulting efficiency. Yet, this changes the relevant aspect of the person from the free chooser to the selfish (or nontuistic) exchanger. This person can then turn into the exploitative capitalist or the greedy accumulator in hostile – if not cut-throat – competition. Hence the success of Adam Smith's remark – after the jansenist Pierre Nicole's in his *Essays on Moral* – that selfish behaviour in exchange in fact leads one to serve the other person, a case of 'public virtue of private vice'. This developed into Pareto's proof that perfectly competitive markets lead to a Pareto-efficient allocation.

Social freedom implies that the person is entitled to the product of his labour and of his exchange. Yet, it does not say a priori how to allocate the given, 'natural' resources. Transfers allocating these given resources are also those that respect economic efficiency because they are not based on items influenceable by people's actions which could react to taxes or subsidies (this is a classical remark in elementary economic analysis). Among these resources, that which produces the largest amount of economic value, by far, consists of the given human productive capacities. As an order of

²³ The classical notion that basic rights should be 'equal for all and maximal' (Rousseau, Condorcet, John Stuart Mill, Rawls) misses this point. It wants to associate to each basic right some specific material mean of its actualization, but there is no limit to these means, and hence this principle can allocate all the resources and provides no guidance for this allocation (see Kolm 1996, 2004).

²⁴ This liberalism, valuing the absence of forceful interference, is the opposite of 'libertarianism' as defined by Murray Rothbart (1973) for which freedom is the meeting of forces and possibly their balance. This latter view is also that of James Buchanan (1975, 1986) who extends it to all of society whereas Rothbart or David Friedman (1978) consider private acts only as manifesting freedom. A present tendency of calling libertarianism all these views thus is particularly unfortunate (Rothbart himself stole this term from another view opposed to all these, left anarchism).

magnitude, the attribution of social (e.g., national) income to its 'primary factors' labour, capital, and natural resources are often like 80, 18, and 2, but since capital is itself produced (by definition), the responsibility of the two 'natural' factors of labour and land is about as 97,5 and 2,5 (John Locke puts the share of labour as '9/10 or rather 99/100') – moreover, some productive capacities are not actually used in labour.

Now, social freedom implies that each person has the right to freely use her own capacities (a use-right), but it does not a priori imply that she has the full right to the economic value of this use-right, that is, to the 'rent' of her given productive capacities. Part of this rent may belong to some other person to whom she has to pay it. Social freedom implies that people are the legitimate tenants of themselves, but not that they fully own themselves (i.e., have both the use-right and all the rent-right in their own capacities).

Yet, someone may both be liable of some rent on her own capacity towards others, and entitled to some of the rent of others' capacities. The point is that these capacities a priori differ across people. Of course, someone who, on the whole, has to pay for providing a transfer, has to work for this if she has no other means. But if this is the case of the more productive people, this restriction of freedom of choice (opportunities, 'real freedom') may simply compensate the larger such freedom a priori provided by this larger productivity or wage rate (the possibility to have more income and goods for a given labour or leisure). The relevant application of the rationality of equality then yields a result which has several equivalent but different meaningful forms: each person yields to each other the product of the same labour in a kind of general labour reciprocity; each receives an equal share of the proceeds of the same given labour from everyone; each receives the same 'universal basic income' and contributes to its financing by an equal sacrifice in labour; all people have an equal freedom of choice (although their domains of possible choices differ as a result of the full respect of social freedom).²⁵

The labour whose product is equally shared constitutes a degree of equalization and solidarity which describes the degree to which the society in question constitutes a community of resources. A formally particular case is that where this degree is null and there is no transfer: this is full self-ownership. In a sense, this is a different case because a more productive person (with a higher wage rate) has more opportunities or freedom of choice of goods and leisure (labour). Full self-ownership implies social free-

²⁵ Kolm 2004.

dom, but the converse does not hold in the most rational conception. However, full self-ownership has often been presented as deriving from freedom. This solution, and this defence, have been the most important social and economic ethics of the modern world (the last two centuries and the victorious market, bourgeoisie, and capitalism). It implies low incomes for people whose productive capacities are poorly valued by others, and vast economic inequalities.

These two process-liberal ethics imply two very different views of the person in society. Full self-ownership makes society be a bundle of individuals only related through exchange and with very large economic inequalities. In the other case, by contrast, there can be some larger or smaller equalizing transfers, which result from solidarity and a sense of community, and manifest that each person has some claim in the given capacities of each other, and some duty to more or less share the value of his natural endowments with the others. Yet, given these transfers, the persons are free to use their capacities and work and earn as they wish. However, they are no longer the full owners of themselves since, for the use of part of their productive or economic self, they are to be seen as only having a right of tenancy. But they correspondingly have a share in the rent of other people's natural productive endowment.

The solution of owning what results from one's action and equally sharing what is given to society is in fact the grand ancestor of principles of justice. Aristotle in *Nicomachean Ethics* and in *Eudemian Ethics*, and Plato in *Laws*, describe the common view about justice in saying that it distinguishes 'arithmetic' and 'geometric' equality. The former consists of equally sharing what is given. The latter consists of remuneration 'in proportion' to merit (*axia*), notably for what is yielded in exchange (in 'commutative justice') where merit is measured by what the other party accepts to pay. This amounts to social freedom. When what is given is a priori allocated to people and cannot or should not be transferred, 'arithmetic equality' leads to compensatory transfers which realize *diorthic justice*. This is the case of given capacities and of the transfers distributing their rent.

The other face of entitlement from action is responsibility and these concepts are, like those of desert or merit from freely provided effort, but ethical evaluations of the free choice. Responsibility as an allocative criterion has for long been explicitly analyzed and applied in normative economic studies. The basic principle is accountability according to responsibility (Kolm 1966, 1970, 1976). Studies of Roemer (1993, 1998) have focussed on equality for equal responsibility or effort, but Fleurbaey (1995, 1998) has emphasized logical and moral limitation of the reference to responsibility.

The transfers noted above, distributing given natural resources and notably the human ones, avoid misery and low income for persons whose own capacities, given by nature or by the family, are not sufficiently economically valued by the rest of society. Yet, they do this not as assistancy, but as the application of a right in society's resources, and, consequently, with full respect of the dignity of the beneficiaries. When this is not done, however, aid for the purpose of alleviating poverty becomes a necessary second-best. Among the problems that this raises, two have particularly serious implications concerning the nature of the person of the donors and of the beneficiaries. They concern respectively the motives for giving and the choice of the needs of the beneficiaries, and are the topics of the next section.

III. AID: THE LOGIC OF MOTIVES AND CULTURAL EFFECTS

9. *Private Charity, Public Transfers, Efficient Help, and the Motives for Giving*

Voluntary transfers for alleviating poverty and need are given in charity. A priori, each person gives an amount such that he stops giving when his moral appreciation of the benefit to the poor of the extra rupiah falls short of the cost of this extra gift for him (this is economics!). For some persons, this is the first rupiah and they give nothing. However, if 1000 people would like the poor to be helped, if they can agree that each gives only 1/1000 of each new rupiah received by a poor, then the cost, for each of them, of the poor receiving this rupiah is only this tiny amount, and therefore each will want to give much more. In particular, some who did not give before now decide to give. However, an agreement between 1000 people is very difficult to reach, and this may in fact be 10 millions – moreover, this has to be a binding agreement. These persons cannot even meet. Hence, we are left with individual charity, which is grossly below what people would want to give if they could so agree.

However, things become different if the donors care not, or not only, for the poor's relief in itself, but about their own personal charity or also about this. Then, however, the motives that actually induce giving are no longer pity, compassion, or altruism, but different ones which do not have this moral value. These motives can even be rather immoral when they are vain-glory, showing off, status seeking, or vanity, although they refer, then, to judgments – of oneself or of other people – that value the act of giving and the benefit for the beneficiaries (yet, the holders of these moral judgments

may judge other people's acts and not give themselves). These motives can also be more neutral from a moral point of view, such as self-satisfaction or warm glow with the same judgments, or, with or without such a judgment from a social opinion, a sense of duty or of propriety, obedience to a moral rule or a social norm, habit, or specific moral reasons such as the 'generalization' of a categorical imperative ('what if nobody gave?') or putative reciprocity ('I help because they would have helped me if our situation were reversed'). A person cannot give for being an altruist since altruistic giving has by definition another, altruistic motive (but pretence in this respect is of course not unusual).

However, altruistic and compassionate people can also elect a government that will force them to make these transfers. Then, if this is correctly done, the transfers may be sufficient, and each altruistic citizen approves of the whole distributive taxes, even though he may regret the personal tax he has to pay when he considers it in isolation. It can even be shown that everybody prefers distributive taxes that fully crowd out any private individual gift motivated by pity or compassion.²⁶ This even holds for gifts motivated by other motives if they lead the person to wish his full contribution – private charity plus tax – to be higher. Yet, a person's private giving can be consistent with social (Pareto) efficiency if he wants his own gift alone to be higher (rather than his full contribution, and this is often irrational), or if other people desire that his full contribution be lower from a motive of envy or of sense of inferiority or superiority. All these motives are not pity or compassion, and are often quite questionable from a moral – and rational – point of view. Moreover, in fact these motives cannot even justify private giving in large societies (such as nations). For instance, caring about one's own gift in itself can justify this gift with social efficiency only if average altruism is inversely proportional to population size (many millions), that is, *de facto* vanishes. But there exists some altruism. Therefore, social (Pareto) efficiency precludes all these private givings, and the existence of such charity implies that the alleviation of misery in society is inefficient and wasteful. This inefficiency reveals, in turn, a lack of democracy in the political system, because it means that everybody could be better satisfied by another set of taxes and transfers: a competing party that presents this program would be elected by a unanimous vote. All these logically subtle

²⁶ The properties noted in this paragraph are shown in Kolm (2005). The reference to unanimity implies that the property considered is Pareto efficiency (see Section 3).

results underlie social phenomena of major importance. Do they say something about transatlantic comparison of morality, efficiency and democracy given that, for alleviating poverty, the US rely much on private charity (5% of GNP), whereas Europe relies almost only on public transfers?

10. *Development and Civilizations*

The second problem of aid to alleviate poverty is specifically a question of conception of the human person. Aid wants often not only to help the beneficiaries but also to improve their way of life. This has particular consequences in issues called 'development'. Two questions should be distinguished to begin with. One concerns catastrophes, such as tsunamis, volcanic eruptions, floods, effects of wars, or famines. Aid in these cases is not the present topic, although the origin of these events sometimes is (effects of development and modernization on deforestation, availability of weapons, and so on). The other, very different, issue is the 'fight against poverty and underdevelopment', and in general the policies that aim at promoting 'development'. Indeed, there are two very different types of situations of low income. There is poverty due to misery, notably in modern civilization, often in large urban areas. But there also are people whose consumption measured in money can be as low or lower, and who live balanced traditional lives, often with a rich culture in a *sui generis* civilization. The two cases are very different, and, in particular, statistics about poverty that mix both types of situations mean nothing. Worse, they can induce major human catastrophes, or lead one to praise them when they have occurred. Indeed, much of what goes under the heading of development consists of transferring people from the second category to the first. Members of traditional societies, proud tribesmen with a rich culture, a wealth of social relations, and an adapted know-how, are transformed into the down and out of industrial societies in moving from villages to shanty towns. This is what the anthropologist Germaine Tillon calls *clochardisation* (in describing Algeria). Employers gain cheap labour force. But cultures are killed, languages disappear, civilizations are wiped out (unless you consider that there is only one civilization, yours).²⁷

Do the people who incur this change want and choose it? Do they volunteer for it? The ways are varied. There exist forced labour and labour

²⁷ As I was taught to praise *la mission civilisatrice de la France*.

draft. More subtly, some people are taxed for forcing them to produce cash-crops for the only purpose of bringing them into the money system (in Papua for instance). When they seem to be volunteers, people do not make a free choice because they do not know where they will arrive in the end. They often clearly make mistakes that they regret later but cannot reverse because they have lost their initial place or ability, or, in the best of cases, because they have become addict to other goods. In fact, they cannot make such a free choice because the change finally transforms their tastes and outlooks and they become different people. But are they happier people, are they better people, are they more civilized people? At best, one cannot answer, and in many instances the answer is undoubtedly negative. (Even when the situation does not reach the limiting case of the Australian Pintubis who let themselves die because of despair caused by the loss of the meaning of life and of the world – a cultural deprivation which they called 'broken heart'). In the best possible case of development, with steady growth and much educational effort, the hope can be that the grand children of these people may become modern petits-bourgeois, and, with luck, that the sixth generation includes some stressed (and uncultured) executives. Unless you define this as progress, is this progress?

This can be the result of global development. Other, specific aspects of modernization such as automatic weapons and aids have not even been mentioned. Yet, there also are well-meaning specific development policies that seek to develop 'all of man and all men' (F. Perroux) in focussing on specific needs. They want to improve nutrition, housing, health, education, and so on. They could give money to the people and let them choose to buy what they want – once they have decided not to leave them alone in the first place. Yet, these policies think they know better (or, perhaps, that the people will drink the aid). Any durable assistance creates dependency, lack of autonomy, and often disincentives, addiction, and loss of dignity. These effects are multiplied when the aid wants to interfere with specific aspects of the person and of the society. And this interference also generally multiplies the deculturizing effects. Nutrition and housing are closely linked to traditional adaptation to the environment and to cultural sociability (e.g., one of the various problems in the case of the Pintubis noted earlier was to have built concrete houses with no possible voice communication from one to the other). Education is, of course, a major issue. Rather than describing the problem, let us point out an example, which, although admittedly extreme, reveals the central point. When the school teacher approaches a Tuareg encampment, people send the children to the mountain because

they know that, if they go to school, they will finally speak Bambara, or French (or possibly English), and Tuaregs will no longer exist. Health care seems much less debatable. Not fully so, though. Drug companies are eager to collect traditional knowledge about plant medicine, which people lose when they change culture. Relations increase pandemics, sometimes in dramatic ways. Aids is modern. The bulge in population growth from the time were people are used to high infant mortality to that where they adjust with lower birth rate is not often welcome. I have made an inquiry (in Northern Thailand) about which modern goods people would like to have. The answers included neither transistor radios nor planes but were unanimously restricted to one good, spectacles for the elderly (especially where hunting is important). It should not be too costly to set up a vast UN spectacle program for satisfying this acknowledged basic need on a large scale.

More generally, the way to find people's needs that respects people as free and responsible persons is simply to ask them, possibly in providing them with the necessary information. More simply, still, the way, if aid is provided, is *prima facie* to provide monetary income and let people buy what they need most, in providing information and securing the correctness of supply. Other ways should bear the burden of the proof of their necessity. Yet, deciding from outside what people's needs are or should be is common practice. This imposes a particular conception of the good, an ideology – often, nowadays, that of technical modernization – in violation of freedom and disrespect of culture. This practice commonly serves various interests of economic, political, or administrative nature, but it is often not better, and it is sometimes worse, when it is well-meaning.

People's situation and development have for long been considered in their various dimensions, such as health, education, and welfare, with a possible distinction of nutrition, housing, and various pieces of private and public equipment, along with basic rights, participation, or power. Indices of multidimensional inequality or deprivation were built and compared in the 1950's. Most of these items are means of doing things. This is the emphasis put by Sen (1985) and Nussbaum (1992, 2000) in considering such 'capabilities' permitting 'functionings'. Nussbaum relates this to Aristotle's 'activity' and *eudaemonia*, and advocates securing minimal capabilities in the line of basic needs. Sen prefers equalizing capabilities as the 'midfare' (Cohen) equalizand between welfare and income. This approach has been extensively worked out empirically by international institutions for development. However, an ideal of such multidimensional equality has to be qualified. Indeed, people have a priori various prefer-

ences about their capabilities, what they can do or obtain with them, and the possibilities they offer (some prefer to know more, others to move more, still others to socialize more, and others prefer the final consumption of eating better). As a result, an equality of capabilities violates social efficiency in Pareto's sense: other, unequal, allocations are unanimously preferred. This implies that people's preferences and free choice (of capabilities) are not respected, and that the overall system of social decision is not democratic (as we have seen). The solution consists of withdrawing to second-best equality in choosing an efficient allocation such that no more equal one is possible.²⁸ However, a theorem says that if all individuals have some of each capability, this solution amounts to free individual choices with equal incomes. This solution can thus be achieved in simply providing equal incomes and letting people freely choose the formation of their capabilities, without the need to know individuals' preferences. Yet, this respects the preferences and choices of persons, contrary to other solutions, notably equality, which necessarily imposes more or less an outside view of what is supposed to be good for them. In some cases and societies, this issue is a quite serious one.

Finally, we have seen earlier that, contrary to a popular indictment, the blind spot of the grand tradition in economics is not altruism. Yet, caring about others emphasizes individuals as much as opposing them does, and, in a sense, more than is the case when they are simply forgotten (as in a large, anonymous market). The absent is the community in itself, and particularly its overall cultural dimension, civilization. Humankind divides into individuals, but it divides no less into cultures and civilizations. Now, what mostly characterizes our era is not so much the clash of civilizations that some see, but the wiping out of many civilizations and cultures, according to various modalities. This holds in 'developing countries', and as much within 'developed' ones (at least in Europe). The world becomes substantially impoverished in this most essential respect. Even when life is better, it is less worth living, and superficial mechanical amusements can hardly hide it. When I raise this question with my economist colleagues, I almost always discover an intensely black spot (contrary to the case of anthropologists, for instance). Since a number of them have a responsibility in advising institutions, it can probably be said that the economic sub-culture has some responsibility in this lethal omission and in the ensuing ethnocides.

²⁸ See Kolm 1996b.

IV. THE MORAL BASES OF ECONOMIC RELATIONS

11. *The Moral Basis of Exchange*

The main topic of economics is the allocation of resources by market exchange. A priori, someone engaged in such an exchange seems to have a purely egoistic behaviour, at least towards the other party, and towards competitors. This also is how this person is described in almost all economic models of this behaviour. In particular, the exchanger seems to consider his partner *only as a means* rather than also as a human person valuable in itself: this is the very definition of immorality for Immanuel Kant. However, this vision is qualified at three or four levels which can make the exchanger an altruist in various ways.

It is said that at some early Council, the Fathers decided not to excommunicate businessman, in spite of their very selfish motives, because, in the end, their actions were also beneficial to other people – intentions would be judged later, by more competent. The fact that selfishness in exchange can benefit other people is discussed in the *Essays on Morals* of the Jansenist Pierre Nicole, translated into English by John Locke, and doubtlessly known by the economist interlocutors of Adam Smith during his stay in Paris (before he wrote the *Wealth of Nations*) and by Smith himself.²⁹ Smith also refers to Mandeville's *Fable of the Bees* where 'private vices make public virtues'. Yet, he made famous the idea that the magic of exchange transmutes *in petto* egoism into 'objective' altruism. With the addition of competition, the 'invisible hand' produces this effect at the overall level. Pareto made this view precise by showing how perfect competition leads to 'his' efficiency (no person can be made better-off without someone else being made worse-off) – the so-called 'theorems of welfare economics'. Note that Smith and Pareto happen to be economists who have also particularly considered altruism in other works.

Another objection to seeing the exchanger as an egoist is that best expressed by the clergyman-economist Philip Wicksteed, noted above. A seemingly egoistic relation can implement an altruistic motivation towards other people than the other party in the exchange. That is, market exchange displays *non-tuism* rather than egoism.

²⁹ A few of the best known passages of the *Wealth* are very close to passages of the *Essays*. For instance, in addition to the idea noted here, this is the case of the astonished description of the large number of persons whose work indirectly serve a single one and conversely.

However, when Smith remarks that, if you want meat from you butcher, you have better rely on his egoism in exchange than on his altruism, he forgets that, in fact, your interest is not to buy the meat but to take it. If the butcher defends himself, you can associate with the next customer. And if everybody did that, the police would not have the means to prevent it – and, in fact, its interest would demand that it joins the spree in a rational use of its weapons. Hence, the famous efficiency of egoism (and non-tuism) thanks to exchange requires that it be limited, since it rests on respect of other people and their property which requires at least some element of other motives.

In fact, a widespread view in the 18th century was that of ‘sweet trade’ (*le doux commerce*) which emphasized that exchange is not a hostile relation but a peaceful intercourse – trade precludes war –, and praised its role in the spreading of social enlightenment.

This relates to the general observation that selfish people in everyday life and in particular in exchanges, or people engaged in non-tuistic relations, are generally not maximal takers, they almost always do not try to take as much as they can by any means. They often do not steal, cheat or lie when they could. They commonly respect other people, their property, and truth when they communicate with them.

Closer analysis confirms that the working and efficiency of the market system requires both egoism or non-tuism, and their opposite. Indeed, the theory showing this efficiency rests on the former behaviour plus two conditions: the possibility of excluding persons from the benefit of goods as long as they have not paid, and sufficient information. However, actual difficulties, costs, or impossibilities in exclusion and information jeopardize these conditions. There result ‘market failures’, and analyzing them and proposing remedies is the other classical task of normative economics – with distributive justice. They are described as non-exclusion or costly exclusion, missing markets, incomplete markets, incomplete information, asymmetric information (one trader knows better than the other), and the like. Non-exclusion leads to externalities, but it also includes non-respect of property rights. Remedies to all these diseases of the market system are usually proposed in the form of public action, but this has limits in terms of motivation, information, power, and other possibilities of the public sector. However, it happens that markets often work rather efficiently, or simply exist, when the analysis of the effects of the noted impediments with purely selfish or non-tuistic behaviour would have predicted ‘failure’ or sheer absence.

This is essentially due to conducts that are not purely self-interested and are of moral or altruistic nature. Difficulties in constraining and in being informed are remedied by voluntary restraint and truth telling. This is favoured by steady relations with the same others, but this also exists in the other cases. Often, properties are respected, scales are not tilted, the quality of products is rather truthfully revealed, and promises are kept. Gratitude and sense of responsibility and of fairness sometimes lead to rewarding positive externalities or compensating negative ones. Asymmetric information is remedied by truth telling or by abstention from exploiting this situation, motivated by a sense of responsibility. Impossibilities or high cost of constraining or excluding are remedied by voluntary restraint or by promise keeping. In fact, the respect of property or of agreements can use three means: self-defence, public constraint, and voluntary restraint. Extensively used, the first one using locks and private weapons makes society be a war of all against all, and the second using public weapons and jails leads to a police state; and excessive reliance on courts makes a procedural society. All these means consume resources and are wasteful. They cannot even fully succeed. For instance, if only self-interest reigned, the public force could not exist because there should be one or two policemen behind each policeman for preventing him to misuse his weapons. Moreover, bargainings using threats maximally would result in mutual harm (from long delays for instance). They therefore often end up in settling for a solution referring to fairness, for instance in splitting differences or in accepting a 'fair price' (a distant reminiscence of the moral theories of the 'just price'). In fact, people often prefer a fair deal to a good deal.

It is striking that the very specialist of the theory of missing and incomplete markets, Kenneth Arrow, has been, in a more discursive contribution, a particularly keen observer of the necessary morality of market exchanges. As he puts it (1974), 'It can be argued that the presence of what are in a slightly old-fashioned terminology called *virtues* in fact plays a significant role in the operation of the economic system... The process of exchange requires or at least is greatly facilitated by the presence of several of these virtues (not only truth, but also trust, loyalty, and justice in future dealings)... Virtually every commercial transaction has within itself an element of trust...' This was proposed in the framework of a comment of a book by the English economist Richard Titmuss (1971) about the procurement of human blood. Titmuss compares the buying of blood which prevails in the US with the donation which is the rule in the UK. He finds that the latter system is superior in all respects, notably about the quality of blood

(because altruistic givers will not give if they know they have had a disease which could be transmitted in this way, notably hepatitis undetectable in blood samples – a case of asymmetric information). This raised an intense discussion in the community of economists.

However, altruism in exchange can also lead to price rebates, overpayments, or overprovisions, and abstention from competition, which jeopardize the efficiency of the market due to the role of the price system of providing information about desires and scarcities. This can result in wastes, and notably in unemployment, resulting from price or wage rigidities due to collusion or lack of competition, or from reciprocity in labour supply shortly noted. However, altruism implies that participants no longer judge the result with selfish preferences only. The overall conclusion is that the classical efficient working of the market requires morality and altruism in a limited range: enough for preventing stealing in its various forms, and sufficiently little for preventing disruption from giving and collusion.

12. *Collective Action*

In other, neighbouring fields also, classical models of selfish agents predicted catastrophes which failed to occur. The most conspicuous concerns voluntary contributions to public goods (goods which benefit several persons jointly) and participation to collective actions, when the number of people prevents them from making a direct binding agreement. By individual, isolated decisions, people should contribute not at all or too little, for the reason noted above about charity which is a particular instance of this situation (the public good is the beneficiary's relief appreciated by the joint givers). This happens in a number of cases, but not in a number of others observed in real life or in experiments. A neighbouring case is that of voting: many people take the pain of voting in large elections, whereas their own ballot makes no difference. Hence, the persons' motives are not strict self-interest. Yet, they happen to be of a variety of types, including simple duty, liking the other participants, norms of fairness (I contribute given that the other people contribute), universalization of the Kantian type ('what if nobody contributed?'), satisfaction from participating, conforming, not giving less than others, but also sometimes the immoral sentiments of showing off, vainglory, feeling or showing a superiority, and the like. The case of joint charity described earlier has shown some examples, and problems of the relations between individuals' motives, the realization by a public authority, and social efficiency.

13. *Homo Reciprocans*

Non-purely-self-centered motivations of various kinds occur in various interactions – those just noted and others – that determine the allocation of goods (in fact, everything can be seen under this economic angle in suitably defining a 'good'). The logic of a number of these motives and of their consequences has been closely studied. The most extensive analyses have been made for relations of reciprocity. Reciprocity is giving something because a gift has been received (this is not an exchange *stricto sensu* because these two transfers or services are not conditional on each other by external obligation or promise keeping, that is, they are genuine gifts). *Homo reciprocans* has been the central view of the human person in anthropology for almost a century, and it has been considered in sociology. It has been theoretically modelled by economists for about one third of this time.³⁰ Apart from an endless sequence of gifts both ways where each agent gives in order to receive later gifts (*sequential exchange*), which can be purely self-interested, there are two families of reciprocities. In *balance reciprocity*, the return-gift aims at maintaining some social balance, sometimes with a notion of fairness. In *liking reciprocity* a benevolent gift elicits liking the giver and as a result giving to him, and there also is the direct reciprocity in sentiments of reciprocal liking. Gratitude, rewarding merit, and demonstration effects for showing sentiments, also play a role. Reciprocity has various structural extensions such as *A* gives to *B* as a result of *C* having given to *A* (the 'generalized reciprocity' of social psychology's 'helping behaviour') or of *B* having given to *C* ('reverse reciprocity' pointed out by René Descartes and Adam Smith). The reciprocitarian relation and motive turns out to be pervasive in human life. Reciprocity is 'the vital principle of society' for L. t. Hobhouse (1906), 'one of the human rocks on which societies are built' for Marcel Mauss in his influential *Essay on the gift* (1924). In particular, reciprocity has a large importance in many types of economic relations such as labour relations; the economics of families; mutual respect of property; mutual fairness, promise-keeping, trustworthiness or loyalty; intra-firm organization; cooperatives; and various aspects of the political and public system.³¹ Although there are oppressive norms of reciprocity and 'gifts' for eliciting a return gift and thus exploiting reciprocitarian motives, many reciprocities are also the possible altruisms because

³⁰ See the studies gathered in Kolm (1984), and Rabin (1993).

³¹ See Kolm and Mercier Ythier, eds. (2006).

givers then also receive, and the vectors of fellow-feeling, local fairness, and good social relations in general.

14. *Families, Organizations, Labour Relations, the Political and Public System*

These models of non-strictly self-interested conducts have been particularly useful for the economic analyses of relations and allocations outside the market. Thus, there has been three successive economic theories of the family: it has been seen as the benevolent dictatorship of a *pater familias* (Becker), then as a self-interested exchange (as modelled by Chiappori), and finally as a complex of reciprocities (Arrondel and Masson). The present view emphasizes reciprocities of all types, and considers intra-family relations of the types of command or exchange as rather moments and parts of a more general reciprocitarian system. Analyses of relations within organizations and notably within firms also importantly rest on conceptions of persons moved by norms, reciprocity, loyalty, fairness, envy, or status-seeking. An application essential for economics has been the field of labour relations, where the most standard empirical and theoretical studies describe persons more or less motivated by a variety of sentiments of solidarity, equity, reciprocity, loyalty, and the like. This is notably a main factor in the explanation of rigidities in wage rates and hence of the resulting macroeconomic diseases of societies in unemployment and inflation. As an example, one can note the analysis of the supply of labour and effort as a reciprocity answer to pay, initiated by Adam (1963, 1965) and Adam and Rosenbaum (1964), and which forms the basis of an explanation of unemployment by Akerlof (1982). Another important field of application concerns the analysis of the political and public system, with its various types of actors diversely motivated – citizens and voters, activists and party members, and professional politicians and civil servants –, and where self-interest is accompanied by a variety of other motives such as duty, reciprocity, loyalty, seeking and maintaining reputation, righteousness, and so on. This belongs to the discipline of political science, but more than half of the studies in this field have borrowed the economists' way for the theoretical representation of the human actors.

15. *Good Relations and Good Persons*

All these conducts are led by motives which are normative – either moral or only social –, or altruistic either for a moral reason or otherwise.

They have essential normative consequences in the fields of efficiency (with the relevant individual preferences for defining Pareto efficiency), the distribution of resources, macroeconomic effects, and also the quality of interpersonal relations, the intrinsic value of motivations, and the quality of the individuals themselves. The intrinsic quality of relations, motives and, in the end, people, is particularly important. They can be valued directly and in themselves, but also indirectly because people value them when they concern others or themselves, as an application of the classical economic value of 'respecting people's preferences' applied to these particular judgments. As everybody knows, the good society is made not only of satisfied consumers and just distributions, but also of good social relations and good people. These types of ends have a variety of relations between them. One view has held that economic efficiency requires selfish motives and hostile competitive relations – the standpoint of the 'dismal science'. The above remarks have reminded us that the opposite is true – as if by immanent justice – in a vast and pervasive field of relations. This question is a main one for normative economics.³²

V. CONCLUSION

16. *Conclusion: Free, Suffering, Happy, Compassionate, Normed, Cultured – But Does it Exist?*

In brief, misery, injustices, lack of freedom and of dignity, hostile or selfish relations, the waste of much needed resources, destructions of cultures and environments, are diseases of society about which normative economics has to advise in considering as far as needed the social ethical reasons that justify solutions. This is a discipline made for application, in a sense a medical endeavour. Yet, both the values which are its material and the possibilities it considers refer to various aspects of the human person and hence rest on conceptions of it and assumptions about it.

This person is seen in itself and in society. The individual is seen both as a sentient being amenable to suffering, distress, need, satisfaction, pleasure, happiness, and self-fulfilment, and as a free agent capable of choice, reason, and action, who therefore can be responsible for the results of his

³² This issue is developed in Kolm 1984.

choices and deserving or meritorious for the efforts of his actions. Incomes, goods, resources, and other means provide both freedom of choice (opportunities) and the satisfaction of needs. The sentient being and the free agent provide the two poles of values: individualistic social ethical criteria are eudemonisms or eleutherianisms. The liberties considered are social freedom, or freedom from forceful interferences of others which amounts to peaceful and respectful social relations, notably in exchange, and possibilities offered by various means, such as income as 'purchasing power' or opportunities to act and earn. The moral of freedom also leads to analyses and principles based on values of responsibility, merit, and deservingness. Normative economics has emphasized the dichotomy, in the person and its means, between what the person should be left entitled to or accountable for, and what should be the object of society's active care for a reason of justice or compassion.

The person in society is both an agent interacting with others and a part of a culture and a civilization. Cultures and civilizations both include and constitute values. The values they include provide both possible normative opportunities and more or less avoidable or unavoidable constraints. The basic general value of social freedom entails peace and non-violence and permits free exchange. The famous virtue of selfishness (or at least non-tuism) in exchange requires, in fact, a number of other-regarding conducts. Such motives also entail altruism and giving, which has to be largely performed publicly in large societies. A variety of social sentiments and norms, including reciprocities, determine the life of groups, organizations and political systems, and the intrinsic quality of social relations and of people.

The main success of normative economics is probably the determination of the structure of distributive justice. Both social freedom and social efficiency imply that distribution focuses on allocating given resources (rather than redistributing the outcome of activity). Yet, the main such resources are, by far, human capacities. This leads to the structure of distributive taxes and subsidies that allocate the largest part of resources (Section 8). Beyond this 'macrojustice', issues of local and specific 'microjustice' (and 'mesojustice' dealing with specific but widespread issues such as health and education) follow a number of criteria referring, notably, to need, merit, equality, or tradition. In relation with these analyses, normative economics has particularly developed the analysis and application of the various types and values of freedom, and their relation with distributive justice. Normative economics has also particularly developed the economic psychology and the

normative consequences of social sentiments, notably positive ones such as altruism and sense of fairness, leading to giving, pro-social and other-regarding conducts, reciprocities, and political redistributions. It has also analyzed in depth a number of various other criteria. Unjust inequalities, in particular, are the object of a large body of studies. Many other possible criteria of fairness have been extensively studied.

Allocative judgments are classically divided into 'efficiency' on the one hand and, on the other hand, 'distribution' which chooses among efficient states. Taking the human person as the end-value 'measure of all things' leads to defining efficiency as states such that no other possible one is unanimously preferred (Pareto). Preferred can mean here either renders less distressed or happier, or would be freely chosen. This efficiency is jeopardized by a number of 'market failures' whose analysis is the other basic concern of normative economics. The remedy can be through political-public interventions. However, many market failures are more or less corrected by a number of moral or normed conducts concerning respect, truth, promises, equity, solidarity, social balance, affection, and so on, often in reciprocity. Yet, some of these sentiments are also main causes of 'market failures', notably in jeopardizing the working of competition. In addition, persons also have a number of sentiments or preferences concerning the distribution, in the family of altruism, pity, compassion, empathy, sympathy, liking, sense of justice, impartiality, sense of community, conforming, distinction, with a dark side in envy, jealousy, sentiments of superiority or inferiority, and even *schadenfreude*. All these aspects of the human person have therefore been more or less integrated and analyzed by normative economics. They are not only causes of sentiments and conduct but also objects of moral evaluation.

Normative economics is both social ethics and economics. With the rest of economics, it shares an outlook and a favoured style of method, both of which have strong implications about the implied conception of the human person. 'Outlook' is a better expression than field – which would, for instance, be 'economic life' – and is, rather, an angle from which to see society, which favours issues of scarcity and of 'utility' in a broad sense, and can apply to a large variety of specific questions and domains. The method favours the use of precise modelling in mathematical form, which permits an elaborate analysis of the logical relations between various aspects of the question and the use of the powerful tool of mathematical deduction. Both the social effects of scarcity and the models often refer to individuals who receive, incur, choose, and act.

Indeed, normative economics has largely followed economics in general in seeing society primarily as an aggregate of human persons, that is, in its conceptual individualism. Hence, to the ideal methodological individualism of economics in general, it added a moral individualism in taking, as end-values, individual values such as pain and satisfaction, and liberty. This assertion may require some qualification, though, since classical objectives such as the highest sum of individual utilities of utilitarians or the highest social income are not a priori individualistic. They tend to become so, however, when utilitarianism – for example – is seen in the form of precepts of microjustice such as: ‘let me do this because this is less painful for me to do than it would be for you’. Now, we have seen that this ethical individualism tends to blind economists about the intrinsic value of civilizations and cultures, with consequences which are a main drama of our times.

It is therefore easy to point out the questions that normative economics needs to integrate more. For all these issues, it will have to display the triple quality of deep understanding, precise formulation, and operationality for policies. A main issue is the question of human community, closely related to the social scope and depth of distributive justice, altruism and other social norms and sentiments, and to the value of cultures and civilizations. Moreover, these latter cultural and civilizational values have to be considered for themselves by normative economics’ analyses, conclusions, and recommendations: normative economics – largely an individualism – should also be a humanism. The other required developments turn, on the contrary, to individual psychology, concerning the two aspects of ‘feeling’ and freedom. The first is a better understanding of the question of needs, and a consideration of the variety of types of pain and satisfaction (in particular, interpersonal comparison of their levels or variations is sometimes required, although it is by no means the central social ethical problem as this was believed by scholars who thought that utilitarianism or some other welfarism should be the universal principle). Finally, another necessary development is that of the question of mental freedom and self-formation. It is more basic because it influences satisfaction, suffering, and needs. This insufficiency is due to the fact that economists, pertaining as they do to the Western culture, do not know the relevant psychology, whereas people knowledgeable in this field consider that questions of insatisfaction and justice should first be faced by the lowering of desires and attachments which makes the problems lose importance and vanish, rather than by larger production and hostile sharing.³³

³³ See Kolm 1982.

Finally, I have pointed out, perhaps with regret, that normative economics does not seem to offer any very deep view of the human person. In fact, any regret would have to refer to the usefulness of such a view, given the ethics of the discipline (which in reality it often fails to follow). The transitive preferer can be simply a technical conceptual tool (and an unfalsifiable hypothesis if one accepts that preferences are dated and can a priori differ from one moment to the next). The duality of selfish and moral preferences is rather banal. And the structures of the various other models used are specific to the particular issue studied, and in this sense somewhat ad hoc. However, what can a deep view of the person be? A priori, the paragon of depth may seem to be Martin Heidegger's description of the awakening of consciousness under the name of 'being'. Yet, given his famous moral slip, one may beware. The *psychologie des profondeurs* has vanished from sight. Psychoanalysis has insights and a structure, but is also often doubted. Political philosophy, the cousin of normative economics, often cannot be said to rely on a much deeper view of the human person, although it has an advantage when it studies issues such as community, culture, norms, or the self. Academic psychology provides abundant but rather scattered information. Psychological philosophy proposes views that are often better described as insightful and clever rather than hitting at some basic kernel. Advanced Buddhist psychology is impressive for three reasons. First, it considers any information only in so far as it serves the unique final aim of diminishing suffering or dissatisfaction (*dukkha*). This is, in a sense, an extreme economism. It also is the standpoint of facing the problem of human suffering directly (which does not preclude the use of psychological 'skilful means'). In fact, it often presents itself as essentially a medical discipline. Second, this tradition has developed a very elaborate theory of the structure of the human person and especially of the human mind, and of the dynamics of interactions among its elements. This view is widely applied for curing from pain through advised introspection and elaborate games of attention. Yet, the most impressive may be the third aspect, the denial of the existence of a self (Hume's criticism of Descartes or remarks by Ayer or Sartre are, in the West, insights in the direction of this view which both is counterintuitive before reflection and comes out from it as a rather plausible hypothesis). What is denied is certainly the 'transcendental I' of some Western philosophers, as well as the Vedantic (or gnostic) 'sparkle of the great fire' in each of us. Awareness of this emptiness, this philosophy argues, is a necessary condition for a deep and durable diminishing of suffering. The effect begins by diminishing unsatisfiable

desires (thus pointing to a drastic solution of the economic problem). At any rate, if there is no core self, 'nobody home' as Jon Elster wrote, if the standard 'I' is a damageable illusion, any quest for a 'deep' and integrated conception of the human person may be a futile and hopeless game, possibly a dangerous one.

REFERENCES

- Adam, J.S. 1963. Wage inequalities, productivity and work quality. *Industrial Relations*. 3:9-16.
- Adam, J.S. 1965. Inequality in social exchange. In Berkowitz, ed., *Advances in Experimental Social Psychology*. 2.
- Adam, J.S. and W.E. Rosenbaum 1964. The relationship of worker productivity to cognitive dissonance about wage inequalities. *Journal of Abnormal and Social Psychology*. 69:19-25.
- Akerlof, G. 1982. Labour contract as partial gift exchange. *Quarterly Journal of Economics*. 97:543-569.
- Arrow, K.J. 1963. *Social Choice and Individual Values*, 2nd ed. New Haven, CT: Yale University Press.
- Arrow, K.J. 1974. Gifts and Exchanges, *Philosophy and Public Affairs* 1-4, 343-62.
- Arrow, K.J. 1977. Extended sympathy and the possibility of social choice. *American Economic Review* 67:219-25.
- Becker, G.S. 1991. *A Treatise on the Family*. Cambridge, MA: Harvard University Press.
- Bergson, A. 1966. *Essays in Normative Economics*. Cambridge MA: Harvard University Press.
- Buchanan, J.M. 1975. *The Limits of Liberty*. Chicago: University of Chicago Press.
- Buchanan, J.M. 1986. *Liberty, Market and the State*. Brighton: Wheatsheaf Books.
- Dasgupta, P., and P.J. Hammond. 1980. Fully progressive taxation. *Journal of Public Economics* 13:141-54.
- Dworkin, R. 1981. What is equality? Part I: Equality of welfare,; Part II: Equality of resources. *Philosophy and Public Affairs* 10:185-246, 283-345.
- Edgeworth, F.Y. [1881]1888. *Mathematical Psychics*. London: C. Kegan, Paul.
- Elster, J. 1992. *Local Justice*. Cambridge: Cambridge University Press.
- Elster, J. 1986. *The Multiple Self*. Ed. By J. Elster. Cambridge: Cambridge University Press.

- Fleurbaey, M. 1995. Equality and Responsibility. *European Economic Review* 39:683-89.
- Fleurbaey, M. 1998. Equality among responsible individuals. In J.F. Laslier, M. Fleurbaey, N. Gravel and A. Trannoy (eds), *Freedom in Economics: New Perspective in Normative Analysis*, London: Routledge.
- Friedman, D. 1978. *The Machinery of Freedom*. 2nd ed. La Salle, IL: Open Court Press.
- Gérard-Varet, L.-A., S.-Ch. Kolm, and J. Mercier Ythier. 2000. *The Economics of Reciprocity, Giving, and Altruism*. London: Mcmillan.
- Goodin, R.E. 1986. Laundering preferences. In *Foundations of Social Choice Theory*. Ed. by J. Elster and A. Hylland. Cambridge: Cambridge University Press.
- Kahneman, D. and A. Tversky. 1984. Choices, values and frames. *American Psychologist* 39 (4):341-80.
- Kolm, S.-Ch. 1966. The optimal production of social justice. In International Economic Association Conference on Public Economics, Biarritz. Proceedings ed. by H. Guitton and J. Margolis. *Economie Publique*, Paris: CNRS, 1968, pp. 109-77. *Public Economics*, London: Macmillan, 1969, pp. 145-200. Reprinted in *Landmark Papers in General Equilibrium Theory, Social Choice and Welfare, The Foundation of the 20th Century Economics*, selected by K.J. Arrow and G. Debreu, 2001, Cheltenham: Edward Elgar.
- Kolm, S.-Ch. 1970. Linégalité des valeurs des vies humaines. *Cahiers du Séminaire d'Econométrie*, ed. by R. Roy, 18:40-62.
- Kolm, S.-Ch. 1971. *Justice et équité*. Paris: CEPREMAP. Reprinted Paris: CNRS, 1972. English translation by H. See *Justice and Equity*, 1998, Cambridge MA: MIT Press.
- Kolm, S.-Ch. 1976. Public safety. *American Economic review* 66:382-87, and in *Essays in Public Economics*, ed. by A. Sandmo, Lexington: Lexington Books, 1978, pp. 1-9.
- Kolm, S.-Ch. 1981. Psychanalyse et théorie des choix. *Social Science Information*, 19(2): 269-340, and Proceedings of the 5th Congress of Economic Psychology, *Revue de psychologie économique*.
- Kolm, S.-Ch. 1982. *Le Bonheur-Liberté (Bouddhisme profond et modernité)*. Paris: Presses Universitaires de France. New edition 1994.
- Kolm, S.-Ch. 1984. *La Bonne économie, La Réciprocité générale*. Paris: Presses Universitaires de France.
- Kolm, S.-Ch. 1986. *Philosophie de l'économie*. Paris: Editions du Seuil.
- Kolm, S.-Ch. 1987. *L'Homme Pluridimensionnel*. Paris: Albin Michel.

- Kolm, S.-Ch. 1995. The economics of social sentiments: The case of envy. *Japanese Economic Review*. 46:63-87.
- Kolm, S.-Ch. 1996. *Modern Theories of Justice*. Cambridge, MA: MIT Press.
- Kolm, S.-Ch. 2004. *Macrojustice: The Political Economy of Fairness*. New York: Cambridge University Press.
- Kolm, S.-Ch. 2005. The perplexing joint giving theorem. Mimeo.
- Kolm, S.-Ch. and J. Mercier Ythier. 2006. *Handbook of the Economics of Giving, Altruism, and Reciprocity*. Amsterdam: Elsevier/North Holland.
- Levy-Garboua, L. 2004. Perception séquentielle et rationalité limitée. *Journal des économistes et des études humaines* 14:63-77.
- Levy-Garboua, L., C. Meidinger, and B. Rappoport. 2005. The formation of social preferences: some lessons from psychology and biology. In Kolm, S.-Ch. and J. Mercier Ythier. *Handbook on the Economics of Altruism, Giving and Reciprocity*.
- Marshall, A. 1890. *Principles of Economics*. London: McMillan.
- Mauss, M. 1924. *Essai sur le don*.
- Mirrlees, J. 1971. An exploration in the theory of optimum income taxation. *Review of Economic Studies* 38:175-208/
- Nagel, T. 1986. *The View from Nowhere*. Oxford: Clarendon Press.
- Nagel, T. 1991. *Equality and Partiality*. Oxford: Oxford University Press.
- Nicole, P. [1671] 1854. *Essai de morale*. Paris: Silvestre de Saci.
- Nussbaum, M.C. 1992. Human functioning and social justice: In defense of Aristotelian Essentialism. *Political Theory* 20 (2):202-46.
- Nussbaum, M.C. 2000. Aristotle, politics and human capabilities. *Ethics* 111: 102-40.
- Pareto, V. 1913. Il massimo di utilità per una collettività in sociologia. *Giornali degli economisti*, 3rd serie, 337-41 (also in *Trattato di Sociologia Generale and Mind and Society*).
- Pareto, V. 1916. *A Treatise on General Sociology*. New York: Dover.
- Payne, J.W., J.R. Bettman and E.J. Johnson. 1992. Behavioural decision research: a constructive processing perspective. *Annual Review of Psychology* 43:87-113.
- Plato, *The Laws*, any edition.
- Phelps, E., ed. 1975. *Altruism, Morality, and Economic Theory*. New York: Russell Sage.
- Rabin, M. 1993. Incorporating fairness into game theory and economics. *American Economic Review*. 83:1281-1302.
- Roemer, J. 1993. A pragmatic theory of responsibility for the egalitarian planner. *Philosophy and Public Affairs* 22:146-66.

- Roemer, J. 1998. *Equality of Opportunity*. Cambridge MA: Harvard University Press.
- Rosen, F. 2003. *Classical Utilitarianism from Hume to Mill*. London: Routledge.
- Rothbart, M. 1973. *For a New Liberty*. New York: Macmillan.
- Sen, A.K. 1985. *Commodities and Capabilities*. Amsterdam: North-Holland.
- Smith, A. [1759] 1976. *The Theory of Moral Sentiments*. Oxford: Oxford University Press.
- Smith, A. [1776] 1937. *An Inquiry into the Nature and Causes of the Wealth of Nations*. New York: The Modern Library.
- Steedman, I. 1989. *From Exploitation to Altruism*. Oxford: Blackwell.
- Titmuss, R.M. 1971. *The Gift Relationship*. London: Allen and Unwin.
- Wicksteed, P. 1888. *The Alphabet of the Economic Science*. London.
- Wicksteed, P. 1906. Review of Professor V. Pareto *Manuale di Economia Politica*, *Economic Journal*, 16,553-7.
- Wicksteed, P.1933. *The Common Sense of Political Economy*, Robbins edn, London.