« Welfarism, Libertarian Paternalism and Political Economy: Three Perspectives on Economic Expertise »

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Abstract

This paper proposes and compares different characterization of what an economic expert is — his/her role, functions and legitimacy — according to different conceptions of economics: welfarism, libertarian paternalism and positive political economy. We show that both welfarism and libertarian paternalism allows expert to impose their views, their preferences to the individuals. This is not the case with political economy.

1. Introduction

The question of expertise, in particular under the form of economic expertise, has frequently been discussed but has not, at least for us, received a precise and definite answer. In other words, it remains largely controversial. One of the reasons is, quite obviously, that there many ways
of defining or characterizing economic expertise—there are as many definitions of expertise as there are definitions of economics. This means that defining expertise is a rather complicated task. In this paper, our (modest) objective is to contribute to a characterization—rather than to a definition—of what is an economic expert, what are his/her functions, role and objectives; when his/her interventions are required and which forms they can take. We, more specifically, adopt a theoretical perspective on these questions, analyzing and comparing the answers that are proposed by various theories or theoretical framework.

Our interest in this issue has been fueled by the incredibly huge audience that “libertarian paternalism”, promoted and defended by Cass Sunstein and Richard Thaler (see in particular 2003, 2008), has attracted both within and outside of the academia. Dozens of scientific and also newspapers or magazines articles have been written to praise, criticize, react to, comment on and even expand the idea that one should rather “nudge” individuals than “oblige” or “force” them to act in this or that direction. One of the main consequences of this success is that it has contributed to focus the debate around the claim that, from the perspective of what expert economists should do¹, the alternative simply opposes welfarism and libertarian paternalism. This is problematic for two reasons. First, it takes for granted that libertarian paternalism is an alternative to welfarism. We argue that it is not the case. Similarities exist between the two approaches that are particularly significant in a discussion about expertise. From this perspective, our claim is that both welfarism and libertarian paternalism define expertise as a top-down process in which some individuals—that is, experts—occupy a specific place in the society; they stand outside of the society they analyze and differ from the agents they want to give advice to. In particular, according to welfarism and Libertarian Paternalism, experts have more competences than, and/or have access to information that remain hidden to, economic agents.

A second consequence of the polarization of the debate around an opposition between welfarism and Libertarian Paternalism is that it has eclipsed all the other perspectives that represent a genuine alternative to a top-down approach on expertise—there are rare the works that go beyond the opposition between welfarism and libertarian paternalism (Sugden, 2008, is one exception). In particular, it seems as if there is no room for a bottom-up perspective of expertise that would be neither welfarist nor libertarian paternalist but that nonetheless would avoid the limits of these two approaches. In the third section of the paper, we show in what consists such an approach, in which experts are not “otherworldly creatures” (Koppl, 2010, p. 3) who would seek the “truth”
Following Koppl, Levy and Peart, Boettke, we discuss a political economy approach of expertise based on an "analytical egalitarianism" (Levy and Peart, 2008) that consists in refusing to "assum[e] that the economist has greater knowledge of the details than the actors" (Boettke 2011) which is common to Hayek and to Buchanan.

Thus, in this paper, we do not aim at analyzing libertarian paternalism and nudge per se. It would be either too long or, on the contrary, too obvious to summarize the doctrine and survey the arguments that are used in the debates about libertarian paternalism. We are going to discuss libertarian paternalism in relation with expertise and in comparison with two other views on expertise—welfarism and (positive) political economy, identifying the similarities and differences between them.

2. Welfarism and the economic expert

Let us begin with the analysis of a first top-down approach of expertise which is rooted in welfarism and new welfare economics; by this, we argue that there exists a form of expertise in economics that goes beyond the differences between welfarism and new welfare economics and encompasses the similarities that both theoretical sets have. In particular, with regard to what can be viewed as the necessary starting point for a definition of expertise, and therefore for the characterization of expertise, namely the information used by experts. From this perspective, welfarist economists have always defended the individualist dimension of their approach. As noted by Sen, for instance, "[w]elfarism is the view that the only thing of intrinsic value for ethical calculation and evaluation of state of affairs are individual utilities" (1987, p. 40), or one may add preferences.

Individual preferences or utilities are crucial for this kind of expertise because these approaches rest on the assumption that preferences guide individual choices towards welfare. The assumption is of importance since it implies that choices are predictable because they are aimed at a goal which is perfectly identified – it consists in maximizing satisfaction, utility or welfare – and also because they rest on perfectly identified, that is existing, and stable preferences. Thus, it can be said that welfarist expertise is possible because preferences or tastes are supposed to be given. As Samuelson noted that the “orientation” he chose to analyze revealed preferences is “based upon those elements which must be taken as data by economic science” (1938 p. 71;
italics in original). For his part, Kenneth Arrow started his approach of social choice by stressing exactly the same point – preferences are “data” (1951, p. 7; italics added) – but added an interesting precision about the fact that tastes, preferences, utilities are independent from the context or the process of choice in which individuals are involved: preferences “are not capable of being altered by the nature of the decision process itself” (1951, p. 7; emphasis added)\(^3\).

The remark can be viewed as witnessing the individualistic dimension of welfarism or new welfarism and of welfarist expertise. Actually, this is misleading. Assuming that individual preferences are given and that they can perfectly be represented by a given and unique utility function implies that the solution of the problem of choice that individuals are looking for is given and predetermined by the assumptions of the model. Therefore, individual choices are “purely mechanical” (Buchanan, 1969 c, p. 40), totally predetermined by the preferences or functions that characterize them (see, in particular, Buchanan, 1964; Knight, 1921; Kirzner, 1962; Langlois, 1997). This means that individuals do not really make choices; they are not really free to choose. Individuals are treated as “automata” (Knight, 1921). Or, we could present this assumption differently, insisting that this approach cannot be viewed as subjectivist—there exists a frequently missed distinction between “subjective” and “personal”: utility functions, tastes, preferences are personal in the sense that they correspond to and characterize one and only one individual but this does not make preferences, utilities and tastes “subjective”. Certainly, one might argue that subjectivism is not incompatible with objectivism. This is exactly the position adopted by Ng, when he writes that “[d]eciding whether a particular dish is delicious is subjective, but the fact that a particular individual enjoys that dish is objective” (2004, pp. 4). But this Byzantine way of presenting subjectivism leads to the same conclusion that would have been reached in a objectivist framework: preferences are treated as “objects” and therefore as “objective”.

As a consequence of these two features, individual predetermined choices can not only be perfectly observed from the outside by an external observer, and also “predictable” (Buchanan, 1969, p. 40). As noted by Buchanan and Vanberg, objectivist approaches in economics assume away uncertainty. They “treat the future as implied in the present” (1991, p. XX) and argue that “future states could be predicted based on sufficient knowledge of the present” (1991) and that our “[i]gnorance of the future is essentially seen as a source of inefficiency, as a problem that can, in principle, be remedied by learning” (ibid.). In other words, and this is crucial for a definition
of expertise, because of the objectivism of welfarism and of new welfarism, there are potentially no limitations as to what experts can do because there are no limitations as to what is knowable.

This leads to the next step of our reasoning: the expert’s capacity to “know” the knowable individual preferences.

By assuming that utility functions exist “out there”, objectively, and that they are “data” implies that they are accessible to external observers, to experts. And this is precisely how it is possible to characterize experts, by their capacity to “read” individual preference functions” (Buchanan, 1959, p. 126). Of course, this raises another question as to “how” experts would be able to do that? How are they able to identify individual preferences? This complex question receives a simple, but tricky answer which consists in saying that economists or experts are assumed to be able to put themselves in the position of the individuals. Or, to use the very words that were used by welfarists, economists and experts have access to the individuals’ preferences through sympathy or empathy. The explanation can be found in Harsanyi (1953, 1955) but also in Vickrey (1945) and in Samuelson’s foundations (1947) as well as in Arrow⁴ and that means that experts or “welfare economists ... benefit from a “privileged position” because they “are supposed to know something that agents do not” (Fontaine, 2001, p. 406).

The reference to sympathy or empathy is particularly important for welfarism. It does not only explain how welfarist experts, welfare economists have access to individual preferences. It also means that we are in an ethics of impartiality or of neutrality. Experts are “external observers” or that they occupy the position of the “impartial spectator” who exists in as in all the analyses using sympathy—including Adam Smith’s. Experts are benevolent, neutral. They do not have preferences over individual choices nor judge individual behaviors nor interfere with their choices. They simply evaluate them, from an external position. This then allows welfarism to claim that individual – consumer – sovereignty is respected; individuals choose according to their own private preferences and choose what is best form them. This also corresponds to the non-paternalist dimension of welfarism, and accordingly to the positive or non-normative dimension of welfarism.

To be more precise, welfarism is not interested in individuals or, to put in other words, individuals do not matter for welfarism (Khalil and Marciano, 2010). The only requirement for welfarism is that individuals have a consistent ordering, because what matters for a welfarist expert is the maximization of social welfare. Welfarist experts intend to formulate propositions that
enable the social decision maker to state that social welfare in a situation is greater or smaller than in another one. To formulate such propositions, welfarist experts use a social welfare function that allows to determine the best possible allocation of resources for the society, to compare it with the actual situation and to evaluate the gap between the two situations. Welfare maximization is the goal of welfare economic expertise.

Thus, welfarist expertise does not evaluate individual behaviors for the sake of evaluation. The objective is to compare what individuals actually do with they should have done from the perspective of social welfare. Thus, welfarist expertise cannot but be normative since it consists in establishing a norm – the social optimum – and in determining whether or not individual choices contribute to reach such an optimum, and therefore in saying whether or not individual choices are acceptable. Even “simply” assuming that the welfare of individuals, that is what will make them better-off, is defined by what they prefer is normative. Or, and this would be a third way to characterize the normative content of welfarism, it could be argued that there exist some goods that intrinsically contribute to the welfare of individuals irrespective of whether these items are preferred or not.

Actually, welfarists have taken great care to show that their analyses are positive only and certainly not normative. For instance, the so important social welfare function is conceived as a neutral mechanism, a “machinery” (Arrow, 1951, p. 8) — that experts use to rank different states of affair, different regulatory policies according to the level of social welfare reached. It therefore does not interfere with individual choices but simply utilises individuals utility functions only to calculate an objective measure of social welfare. Recently, Ng insisted that “the definition of social welfare is an objective definition, although the objects are the subjective feelings of individuals […] The advantage of adopting an objective definition of social welfare is that it enables us to regard welfare economics as a positive study” (2004, pp.4-5). Another argument consists in pointing the fact that welfarist experts rely on cost-benefit analyses to evaluate whether projects, decisions are welfare-compatible that is whether they are worth to be implemented in the sense that they promote social welfare. Interestingly, as emphasized Hausman and McPherson (2009), cost-benefit analysis is independent from any normative theory of welfare. It can be used “regardless of what theory of welfare one accepts” (Hausman and McPherson, 2009, p. 2) when one considers individual as self-centered and well informed. Ng (2004, p. 4) offers a good summary of this point when he notes that “the question of whether we ought to pursue or maximize
social welfare (as objectively defined) is a value question but the analysis of objectively defined concepts can proceed with or without agreement on such a value question”.

A final question can be raised about the conditions in which expertise is required. Most of the time individuals are supposed to behave efficiently and their choices are supposed to be the best ones for the individuals themselves and for the society because they maximize social welfare. This happens under the assumptions that markets function perfectly and efficiently in particular because individuals are obliged to reveal their preferences if they want to make transactions on markets. Then, individuals behave as they should have been; there is no gap between what they do and what they should have done. The link between preferences, choice and welfare still exists. But, and this is well known, there are circumstances in which markets fail to allocate resources in an optimal way. This corresponds to the situations in which there are public goods or when individual behaviors generate external effects. Individuals then do not reveal their “true” preferences for the public good and systematically ignore the consequences of their actions on others. Individuals thus have the possibility to adopt non-optimal behaviors. They do not behave as they should have done to contribute to the maximization of social welfare.

This is a direct consequence of the fact that individuals are self-interested. As Samuelson put it, “it is in the selfish interest of each person to give false signals, to pretend to have less interest in a given collective consumption activity than he really has” (1954, p. 389). As a consequence, there is a problem of social cost and the intervention of the state is required: “[m]yriad ”generalized external economy and diseconomy” situations, where private pecuniary interest can be expected to deviate from social interests, provide obvious needs for government activity” (Samuelson, 1955, p. 356). And, as a corollary, economic expertise is required. Thus, the reason that explains and legitimizes expertise is that self-interested individuals tend depart from what they should have done.

In addition, the existence of public goods and externalities are objective phenomena and can thus be observed, identified by experts-economists, external observers independently from individual perceptions. In effect, since individuals are self-interested and rational, it is legitimate to claim that when there are no means to exclude them from the consumption of one particular good or when they can conceal their preferences, they will actually adopt such strategic behavior. It is not taken into account that individuals might be willing to pay the exact amount that corresponds to their preferences or that they would be ready to internalize the externalities they
generate. Such a definition of public goods has important policy implications: experts are able to determine the quantity individuals should have consumed, or the amount they should have accepted to pay. Thus, the existence of public goods and externalities does not only tell us why and when experts are necessary but also how far they can go to maximize social welfare.

There is another case in which the path from preferences to choice and welfare does not exist. When there are “merit goods”, introduced by Musgrave in 1957 (see also 1959 and 1987), a certain interference with individual preferences is required. Preferences can no longer be used as a guide for social choices. Musgrave thus noted that “[w]hile consumer sovereignty is the general rule, situations may arise, within the context of a democratic community, where an informed group is justified on imposing its decision upon others” (1959, p. 14). The goods or wants that are exchanged in such situations are those that Musgrave suggested to “refer to as merit wants” (1957, p. 341) and they were put aside the welfare economics framework immediately after Musgrave identified them. This is no surprise. Obviously, as noted by Domenico d’Amico, “[s]ince merit goods imply a more or less intrusive interference with individuals” (revealed) preferences, they have always been accompanied by the suspicion of representing the first step on the slippery slope of paternalism” (2009, 2). To put it differently, merit goods reveal a failure in welfarist expertise. As a consequence of the existence of such goods, the risks exists that experts were in the position of a dictator, capable of imposing their preferred choice on the individuals to allow a collective choice that maximizes the welfare of the society. Elisha Pazner was aware of that when he noted about the formal model of an economy with merit goods that it could be the basis for an “economic theory of dictatorship” (1972, p. 461). Thus, from a welfarist perspective, the role of experts might be limited, bounded by the efficiency of markets and by the fact that individuals actually choose what is best for them. But, on the other hand, the assumptions made about individual preferences and the capacities of experts or economists are particularly strong. When experts are required, they are in the position of imposing their preferences and choices to the individuals.

3. Libertarian paternalism and expertise

An alternative to welfarism and to paternalism, libertarian paternalism proposes us a not so different vision of what an expert is and what his role should be. This is at least what we would
like to argue and discuss in this section. There are similarities, indeed, even though, welfarism and libertarian paternalism have different, opposed, starting points. In particular, in terms of individual behaviors: as written above, welfarist experts are necessary because individuals rational and self-interested do not behave efficiently; by contrast, libertarian paternalism starts with the absence – or weakness – of rationality and limitations in cognition and in capacities to process information. The convergence between preferences and welfare is then broken due to less than fully rational behavior or beliefs.6

One may wondered whether these welfare losses are important enough to justify a new kind of regulation 7 and, at first sight, one could think that emphasizing the limitations of human cognition would have implied a certain humility or modesty with regard to expertise, to the role of economists and of the state. After all, to mention but a few scholars, David Hume, Adam Smith or Friedrich Hayek have emphasized limitations of the same type and took this as a justification for limited – to say the least – interventionism in human activities. Thus, there is no direct and straightforward link between “cognitive limitations” and the need for expertise. However, this is exactly the argument that libertarian paternalists put forward: because individuals suffer from cognitive limitations and don’t have sufficient information, they are not able to make good choices. The argument is actually twofold: first, under certain assumptions, individuals could make good choices but, second, these assumptions are not fulfilled and therefore individuals systematically depart from what they should have done. Just like free-riders must be incited to “cooperate”, the individuals of libertarian paternalism have also to be led to make good choices – “libertarian paternalism ... authorizes private and public institutions to steer people in directions that will promote their welfare” (Sunstein and Thaler, 2003a, p. 179; emphasis added). Thus, in other words, individuals have to be protected against themselves: “[s]o long as people are not choosing perfectly, it is at least possible that some policy could make them better off by improving their decisions” (Sunstein and Thaler, 2003b, p. 1163; emphases added). Because of the gap between what individuals do and what they should do, there is room for legitimate “paternalist” interventions and, accordingly, there is room for expertise. Experts are capable of of identifying the measures likely to improve the well-being of individuals and of orienting individuals towards “good” choices 10. In the terms used by Sunstein and Thaler, experts help individuals to refrain or abstain from choices “they would change if they had complete information, unlimited cognitive abilities, and no lack of self-control” (Sunstein and Thaler, 2003, p. 1162).
The last quotation is particularly interesting for the important details it gives us about the role of experts. In effect, it includes a definition of what is a “good” choice, referring to what would have been chosen by more informed, more experienced individuals or by individuals protected against the manipulation of markets by firms. Sometimes, it is also argued that “good” refers to the choices rational individuals would have made. But, in any case, libertarian paternalism rests on the assumption that there are individuals – this is evidently the case with experts – capable of identifying what a “good” choice is; or, to put it differently, any individual who is capable of finding out what are “good” choices is an expert. But, one understands that this is particularly tricky since it implies that experts apparently do not suffer from the same limitations as normal individuals do. Even more, their efficacy rest on “a good understanding of how humans behave” (Sunstein and Thaler 2008, p 85). Indeed, experts are supposed to modify the choice environment so as to hinder different cognitive biases people may be faced with. The question then raises why “rational persuasion” could not be used to avoid cognitive biases instead of shaping choices through nudges which “risk circumventing the individual will” (Hausman and Welch, 2010, p. 130). Moreover, rational persuasion seems wise when one refers to an “informed preferences” benchmark.

In addition, let us add that most of the time these experts are, as they are in welfarism, external observers. The major difference being that libertarian paternalist experts are not benevolent; they are not neutral towards individual preferences – although we are told that “good” is not defined in “substantial” (Trout, 2005, p. 433) terms.

Experts cannot be neutral. First, as Sugden explains, the perspective is obviously normative: “[h]ow, without making normative judgements, do we determine what counts as complete information, unlimited cognition, or complete willpower?” (2008, p. 232). All the more that, as Sunstein and Thaler insist, individuals “true “preferences” do not formally exist”. (Sunstein and Thaler, 2003b, p. 1164). This implies that libertarian paternalist experts do not only determine what are the best behaviors to adopt to satisfy individual preferences. Experts determine what individuals should prefer. This is obvious in the analyses of obesity, for instance; we are told that individuals should be led to eat more healthy and less junk food. The objective does not correspond to what individuals actually prefer but to what they would have preferred if they would have been perfectly informed about the characteristics of healthy and junk food. It is assumed that eating high quality food is good for everybody; as is saving more than less is good for ev-
everybody. In other words, this is objectively good. Thus, Sunstein and Thaler (at least implicitly) assume that individuals cannot but agree that certain measures evidently improve the situations of everybody (see on this point (Korobkin, 2009, p. 1668; Amir and Lobel, p. 2120; Mitchell, 2005, p. 1268-69). Thus, libertarian paternalism does not really take individual preferences into account; or it does not take into account the subjectivity and diversity of individual preferences. As Grüne-Yanof notes, “in practice LP has given up the subjectivity property, offering instead accounts of welfare based on aggregate measures, or on material payoffs” (forthcoming). This is perfectly illustrated by the fact that nudging policies are likely to be helpful, as noted by Sunstein and Thaler themselves, when “choices are fraught,(...) and when differences in individual preferences are either not important or can be easily estimated” (Sunstein and Thaler 2008, p.251). Another illustration is provided by the argument put forward by Camerer et al. – in a slightly different version of libertarian paternalism called “soft” or “asymmetric” paternalism – when they stress that spending money on lotteries decrease individuals’ welfare since it always costs more than what it brings back. In this analysis, are only taken into account the objective costs and benefits associated with a lottery and the subjective costs and benefits that an individual necessarily pays or receives in such games are totally ignored.

Let us now turn to a last question that is important for our analysis, namely the question of the incentives that could be used to orient individual behaviors. In what consists the “toolbox of the libertarian paternalist” (Sunstein and Thaler, 2003b, p. 1190-1195)? Sunstein and Thaler have used the term of “nudge” to describe the means that could be used to help people to make better choices; thus, the role of experts is to “nudge” individuals. What does it mean? To which type of incentives does it refer? Welfarist experts use monetary incentives – this is consistent with the assumption that problems result from the behaviors of self-interested individuals. For their part, Sunstein and Thaler first insist that a “nudge” should be non-monetary. It consists in “any small feature of the environment that captures our attention and, in so doing, alters our behavior” (Thaler, 2008). From this perspective, Thaler’s

“favorite example of a nudge is in the Amsterdam Airport. A clever guy, an economist in fact, had the idea of etching the image of a housefly in the urinals, right near the drain. When guys are doing their business, they’re not paying a lot of attention. But if you give them a target, they aim. [Laughter] By etching that image of the housefly in the urinal, he claims it has decreased spillage by 80 percent. That housefly has come to be my image of a nudge. It’s something that in theory shouldn’t matter, but
it seems to matter”.

Non-monetary incentives are not only consistent with the assumption that people suffer from cognitive limitations – their problem is not monetary – and also with the so-called libertarian dimension of their analysis and the need to respect individual preferences. It should be emphasized that it is the understanding and knowledge of the human judgments and choices that are at the basis of the nudging policies or more precisely nudging consists on “taking advantage of imperfections in human decision abilities” as noted by Hausman and Welch (2010, p.124) 13.

Therefore, experts do not only identify which norm individuals should adopt but they also design rules or frames in order to modify behaviors. Experts are, to adopt a significant expression Sunstein and Thaler use, “choice architects”. They “decide how to design the choice environment, what kinds of nudges to offer and how subtle the nudges should be” (Sunstein and Thaler, 2008, p. 75). That is, choice architects define how and how far to influence people, how to steer them to make good choices. In addition, from the list of examples given by Sunstein and Thaler, it appears that experts do not only provide information to the individuals. They do not only orient choices by framing them or organizing them in a certain order. Monetary incentives can also be used as “nudges”.

Certainly, there exists here a major difference between this paternalist (also, all the more, under its liberal or libertarian form) and welfarism. Libertarian paternalism is concerned only with individual situations only and with subjective expected utilities – there is no social welfare function in a libertarian paternalist approach. As Sunstein and Thaler note, paternalism corresponds to “attempt[s] to influence people”s behavior even when third-party effects are absent” (2003, p. 1162). Paternalism is not equipped to treat the problems raised by external effects (see Korobkin); let us note that “paternalism” is only concerned with external effects. However, there are circumstances in which third-party effects are unavoidable. Implicitly, libertarian paternalists accept this point. Thus, Sunstein and Thaler also view their approach as useful not only to coach individuals but also to deal with social problems. Libertarian paternalist experts are or should be capable to advise social planners (see also Bernheim and Rangel, 2007). Libertarian paternalism has the objective to favor “socially desirable behaviour” (Thaler and Sunstein 2008, p. 54).

Therefore, libertarian paternalism and welfarism are both normative – libertarian paternalism is no less normative than welfarism – and, in addition, base their normativity on objective values.
A libertarian paternalist uses the norm defined by the best individual choice and a welfarist’s norm is based on the best choice that can be made for the society. In both cases, there exists an objective norm and individual behaviours have to be influenced, oriented with regards to that norm.

4. Positive political economy and expertise

The two perspectives discussed in the preceding sections similarly propose top-down approaches of expertise, in which the expert – be him an economist or not – is an external observer capable of devising goals and ends. Economists, experts are outside of the sphere that they “analyze” and to which they apply their tools. This perspective is undoubtedly foreign to the idea of a political economy; that is to the idea that economics is part of politics or is strictly connected to politics. Precisely, by contrast, a political economy approach to economics to expertise or to economic expertise consists in viewing economics as a subset of politics. And therefore provides a genuine bottom-up alternative to welfarism and (libertarian) paternalism 14.

Let us start with the fundamental idea of a political economy approach, namely that “the economist is no more able to dictate such judgements than is any other citizen” (Buchanan, 1962, p. 354). This thus implies that economists and experts should be more humble than what they are in the two approaches previously discussed. They should accept that they are not external and omniscient observers “able to “read” individual preference functions” (1959, p. 126) and thus to determine a priori what is the most efficient – the best – outcome for the individual and for the collectivity. They are no longer able to impose a norm to the individuals. They role rather consists in discovering “what people want” (1959, p. 137) and “what is the structure of individual values” (1959, p. 130). By which Buchanan means that the starting point of positive political economy is not what individuals should do to make good choices but what they do. Buchanan, in a short note co-authored with Tullock, emphasized this aspect:

“The economist, as such, is not concerned with whether a person ”should” or ”should not” take action. Instead, he is concerned with determining the conditions under which a person will or will not take action; he is concerned with predicting behavior (and, perhaps with advising), but not with prescribing.” (Buchanan and Tullock, 1964, p. 300)
Obviously and logically, such a positive approach is by definition anti-paternalistic. In effect, it assumes that no (objective) norms exist that could be observed, identified or even solely guessed though the observation of individual behaviors. Even, if it is argued that the norm corresponds to the real preferences of the individuals and to the “good” choices individuals should (could) have make. One of the reasons that could be given to justify this position is that “individuals know themselves (at least) better than any external observer”, not necessarily because individuals know their preferences but because there is no reason to assume that economists and planners are more able to identify individual preferences than the individuals themselves\textsuperscript{15}. This criticism directly relates to the capacity of economists to sympathize with the economic agents, to put themselves in the shoes of the individuals as we have noted above and as welfare economists or pro-paternalists assume, and to “know” what are the individual preferences. As Buchanan wrote in 1962, “the economist is no more able to dictate such [social value] judgements than is any other citizen” (1962, p. 354).

Another very important reason explains the impossibility to evaluate what should or would be “good” choices and what are the real preferences of the individuals, namely the fact that preferences cannot be assumed to be given and stable\textsuperscript{16}. This is also one element upon which Buchanan has insisted in his work as part of a justification of positive political economy. Thus, to Buchanan, one of the main feature of positive political economy is its focus on exchange and interactions rather than on choosing behaviors. More precisely, positive political economy is based on the gains-from-trade paradigm\textsuperscript{17} rather than on the maximizing paradigm. The corollary, and Buchanan’s justification for such a shift from choice to exchange in economics, is that individual preferences change when individuals interact with others. Thus, when Robinson Crusoe is alone on his island, his choices are indeed the mechanical consequence of the maximisation of his utility function\textsuperscript{18}; in that case, it is possible to use economics and economic expertise to calculate the possible gap between the actual individual choice and the optimal decision he should have made; in that case, paternalism could be legitimized. However, as soon as “Friday steps on the island” (Buchanan, 1964, p. 217), the conditions in which the two individuals are change. They interact with each other and realize that the best way to achieve their objectives is to exchange, to trade rather than to behave as if they were isolated, independent from each other. In different words, the best way to achieve one’s goal in a situation in which we interact with other individuals is to cooperate and to act – at least in certain circumstances – collectively. In this process, Buchanan
does not exclude that individual preferences could change, that utility functions can evolve in the interactions with others. Therefore, since utility functions or individual preferences are not stable, they can therefore not being observed from the outside. It is in the individuals themselves that lie the knowledge of their preferences.

In terms of expertise, this perspective has a first consequence: Robinson Crusoe’s need for an expert obviously differs when he is alone on his island or when Friday is on the island with him – while, this is also evident that in welfarist perspective and in libertarian paternalism, the need for expertise would not have changed. Thus, one cannot deal with expertise from an individualistic and objectivist perspective. Expertise is a matter of interactions, exchange and possible coopera-
tions and of collective action. In e
ffect, as suggested in the preceding paragraphs, the individual evaluations are not the same when individuals are members of a society. Buchanan has insisted on this point in his comparison between market interactions and political interactions (1954). In economic actions and interactions, individuals behave as if they were independent from each others. They do not take into account the consequences of their actions towards others. This is not the case when they act collectively – which corresponds to Buchanan’s idea of political beh-
aviors (see 1949, for instance). In e
ffect, in politics, individuals perfectly understand that their respective situations are connected (see Buchanan, 1954).

Another of the consequences of the focus put on interdependence and exchange and inter-
actions is that individuals do not act simultaneously. More precisely, if individuals behave as independent entities, it is plausible to assume that they will act simultaneously. By contrast, in the situations in which individuals are aware of their interdependence, the assumption that someone acts first” becomes “wholly plausible” (Buchanan and Tullock, 1964, p. 300). To understand why it is the case, one has probably to refer to Buchanan’s confidence that individuals are always willing to pay for the goods they consume and his confidence in the “a certain propensity in hu-
man nature ... to truck, barter, and exchange” (1964, p. 213) and their “motivation ... to engage in trade” (1964, p. 219)19. As a consequence, there is all reason to believe that, at least, one individual will adopt a cooperative behavior and that others will also cooperate because they have all to gain from such reciprocal cooperation. Thus, there is all reason to believe that cooperative behaviors are generalized and that free-riding behaviors are unlikely and improbable.

Let us take the example of vaccination. Individuals, for various reasons, may not protect themselves sufficiently against a communicable disease. Their behavior is thus not “good” for
their own safety nor for the safety of the society. From a subjective and positive political economy perspective, the individual choice is entirely personal and no one – but the individual herself – knows what is the optimal level of vaccination she desires to reach. If one individual decides to bear the costs of inoculation – precisely because she anticipates that it is good for her and anticipates benefits from her action – then this affects the situation of others. Now, it is not really surprising nor important to notice that the level of safety in the society increases because one individual decides to increase her level of safety. More important here is the assumption that one individual is assumed to behave in order to increase her level of safety. This is assumed to be unlikely, implausible in a situation in which individuals behave as individuals, independently from others because, under this assumption, individuals always free-ride. Therefore, such cooperative behavior generates a positive externality for the rest of the society. This is one of the major differences with an objective analysis in terms of maximization and free-riding: individuals make their own decisions – and are responsible for them – but also are ready to initiate cooperative behaviors; individuals internalize themselves the costs of their actions on others.

This implies that there is no need to look for external solutions to the problems individuals face. To Buchanan, or for a positive political economy perspective, individuals are always ready to find collective agreements with others to solve their problems and remove the external effects that can result from their interactions. That individuals would not agree on a collective action to undertake means that the problem was not genuine, real or “relevant” as noted by Buchanan and Stubblebine in 1962. This implies that if there are problems of expertise, either individuals find a collective agreement – that shows that they were ready to pay to have more (or less) safety – or there was no problem.

Certainly, it is possible that individuals ignore their interdependence and neglect the consequences of their actions on others. In different words, it is possible that individuals treat others as objects, as means. An important consequence is that individuals are going to adopt free-riding behaviors. They then refuse to cooperate with others and to pay for the external costs of their actions on others and conceal their marginal willingness to pay. Two situations can be imagined. The first one consists in claiming that such free-riding behaviors do not last; individuals realize that they have to cooperate in one way or the other. Buchanan argued that “[i]ndividual citizens will be led, because of the same propensity, to search voluntarily for more inclusive trading or exchange arrangements” (1964, p. 219); including “transferring, again voluntarily, at least at
some ultimate constitutional level” (1964, p. 220; emphasis added) the activities that generate external effects. Thus, there was no doubt in his mind: cooperative solutions, at one level or at the other, always prevail over non-cooperative ones. Alternatively, more pessimistically, if some individuals durably refuse to cooperate then the solution also consists in moving the problem to the constitutional level. Actually, Buchanan seriously envisaged the issue as a consequence of the degradation of the situation in the USA in the late 1960s and early 1970s. The "Samaritan’s Dilemma” is the description of a situation in which one cooperative individual – the Samaritan – moves first and cooperates. However, this cooperative behavior does not generate, in reaction, another cooperative behavior. The explanation is that the constitutional rules are not sufficient to induce individuals to cooperate. In terms of safety, this means that constitutional rules are not sufficient to lead individuals to adopt the sufficient level of safe behavior. Constitutional rules have to be tailored to lead individuals to cooperate, to increase themselves, spontaneously, their level of protection by taking into account the consequences of their actions on others.

Such constitutions solutions have nonetheless to be devised in a very specific way: a social contract, in Buchanan’s views, has to be accepted unanimously. A collective action is an action that is undertake by all the individuals. It will succeed if and because it benefits to each and every individual involved in the process.

5. Conclusion

The purpose of our paper was to compare three forms, three definitions of expertise, those respectively given by welfarism, libertarian paternalism and positive political economy. Our argument was that the first two approaches tend to view experts as external observers, granted with very specific competences and allowed – in certain conditions – to make decisions that do not respect individual preferences but to improve individuals welfare. These approaches rest on, among others, the assumption that individual preferences exist objectively. Individuals may ignore that but there exists an optimal choice for them. Experts are not only able to identify it but also to lead individuals to make this optimal choice. To put it differently, these are top-down approaches that do not trust individuals (and assume that experts are able to out-perform them). By contrast, a political economy approach assumes that individual preferences are genuinely subjective. They do not exist as object or data and therefore optimal choices cannot be determined by exter-
nal observers. Experts – or economists – cannot tell individuals what to do and must not steer individual in one or another direction. They propose alternatives and let individuals choose.

References


Notes

1To paraphrase the title of a really important article written by James Buchanan in the early 1960s (1964)


3Arrow stressed that the assumption is a simplification. It would be possible to relax it. It would make the definition of a method of social choice “more difficult” (Arrow, 1951, p. 8) but would not alter its nature.

4For a formalization see Mongin, 2001

5On Arrow’s conception of political institutions as mechanical devices, see also Boettke, Coyne and Leeson

6Irrational preferences e.g. the existence of structural cognitive biases are not the only reason why preferences may differ from welfare. Ng (2004) emphasizes that concerns for the welfare of others and imperfect knowledge may also explain actual behaviors that are suboptimal compared to what is required by
individual optimisation. Note that the limits of preferences as good indicator for welfare has already been raised in depth by works on the philosophical foundations of welfare economics (Hausman, McPherson 2009 for a survey). So the renewal concern for issues of paternalism comes from either behavioral evidences or philosophical arguments that people may prefer something that is not welfare enhancing.

Ng for example after having emphasized the possibility of divergence between welfare and utility originating from imperfect rationality, notes that “It is convenient to ignore such divergence except when we come to discuss problems that divergence is important (such as in the case of merit good)” (Ng, op.cit. p. 15)

Boettke and Horwitz have stressed a “swing back toward humility in the discipline” that would “push the economist away from being the savior-cum-engineer and back toward the student-cum-cautionary prophet” (2005). This movement does not seem to be accepted by libertarian paternalists.

It can be discussed whether or not such “debiasing” policies are paternalistic or not. It has been argued that it should not necessarily be the case. Since, “people, even devoting enormous cognitive resource to correction, DON’T make good choices” (Trout, 2005, p. 417; capitals in original), then “[a] government may arrange a system of debiasing instruments that doesn’t micro-manage the substantial goals of autonomous agents. In the end, the supplanting of individual judgment with institutional directives is not, by itself, paternalistic; ego-bruising maybe, but not paternalistic” (Trout, 2005, p. 433).

Which, as Korobkin notes, is “inconsistent with the foundational premises of libertarian paternalism: that preferences are heterogeneous and policymakers are not omniscient” (2009, p. 1668).

Hanson and Kysar (1999) insist that consumer optimism can result from market manipulation. From this perspective, informing consumers – through hazard warning, for instance – is not necessarily sufficient. It may improve the perception of consumers but would not eliminate the problems. Increasing the quantity or quality of information on one dimension of goods leads individuals to focus on a characteristic that becomes salient and complementarily may lead them to pay less attention to the other dimensions and thus gives more opportunities to alter the quality offered on other dimensions of the product. In other words, providing information to the individuals could be a form of manipulation.

Actually, Sunstein and Thaler accept the non-neutrality of experts. They wrote: “there is no such thing as a ‘neutral’ design” (2008), which is simply evident and sounds like an acknowledgement that libertarian paternalism consists in “designing” individual choices. To them, the first and foremost justification for libertarian paternalism is that “there are [no] viable alternatives to paternalism” (Sunstein and Thaler, 2003a, p. 175). Paternalism is “unavoidable” (Sunstein and Thaler, 2003a, p. 177). Any rule or policy influences individual choices. There is no such thing as neutrality. As a consequence, the best solution is to choose the less coercive form of paternalism.

The mere utilization of cognitive flaws so as to shape people’s choice is one of the main weaknesses of the libertarian paternalism following the cons: open constrainst on one side or rational persuasion on the other are preferable as argued by Glaeser 2005 and Hausman and al. 2010

To some extent, our perspective is not different from Sugden’s (2008) critique of paternalism based on “mutual advantage. However, we go further than Sudgen in our comparison with Buchanan’s views on individual preferences.

The problem has been stressed. Welfare economics has been criticised for its incapacity to identify individual preferences. Similarly, it has also been stressed as one of the flaws in liberal or libertarian paternalism: there is no reason to assume that planners, politicians are not able to manipulate individual
preferences. Or, the consequence of the inevitable weakness of human cognition is the inevitability of manipulation. Paternalism does not escape the problem (cf Mitchell, 2005).

16 To some extent – although it is certainly an excessive interpretation of Buchanan’s views – it can be said that, to Buchanan, preferences are dependent on the context and this is a point that has been emphasized by behavioral economics.

17 Precisely, the gains that are supposed to result from mutually beneficial exchanges

18 “Crusoe’s problem ... is essentially a computational one” (Buchanan, 1964, p. 217) and he can behave as a purely economic man–he even is the perfect instance of economic man.

19 Buchanan’s confidence is partly explained by the “observations” he made of such cooperative behaviors: “[i]ndividuals are observed to cooperate with one another, to reach agreements, to trade” (Buchanan, 1964, p. 219; emphasis added) and partly by the benefits individuals gain from such cooperation

20 Of course, constitutions differ from the legal rules that are viewed by libertarian paternalists or by behavioral economists as means to orient individual behaviors. First, libertarian paternalist rules are post-constitutional rules. Second, libertarian paternalism retains the idea that legal rules affect behaviors to improve the situation of the individuals, as judged by themselves but as decided by external observers. This is certainly not the case in Buchanan’s approach.
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