Welfare-Consequentialism and Social Policy

By Noel Semple[1]

How much money should the state spend in the effort to improve individuals' lives? How should it allocate its scarce resources among alternative policy areas and programs? What policy instruments should the state deploy to accomplish these goals? These are foundational questions in the field of social policy. The goal of this paper is to suggest how welfare-consequentialism might answer them. This article begins by describing welfare-consequentialism (a normative theory of public policy) and the social welfare function method for analyzing policy options. It then sketches a welfare-consequentialist approach to answering these three core questions of social policy.

1 Welfare-Consequentialism

Welfare-consequentialism holds that the appropriate goal of all public policy is to make individuals' lives better, for them.[2] The best public policy option is always, therefore, the one that can be expected to maximize aggregate welfare.[3] One leading technique to operationalize welfare-consequentialism is the social welfare function,[4] developed most comprehensively in the work of Matthew Adler.[5] This is a tool designed to identify the best policy choice, by aggregating the projected lifetime welfare values of the individuals affected by it, under the alternative outcomes. A social welfare function assumes that the overall welfare of any

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[2] Matthew D. Adler, *Measuring Social Welfare: An Introduction (Forthcoming)* (New York: Oxford University Press, 2019); Amartya Sen, "Personal Utilities and Public Judgements: Or What's Wrong with Welfare Economics," *The Economic Journal* 89, no. 355 (1979), http://dx.doi.org/10.2307/2231867; Louis Kaplow and Steven Shavell, *Fairness Versus Welfare* (Cambridge, MA: Harvard University Press, 2006).

[3] Ruut Veenhoven, "Greater Happiness for a Greater Number: Is That Possible or Desirable?," *Journal of Happiness Studies* 11, no. 5 (2010), http://dx.doi.org/10.1007/s10902-010-9204-z; Richard Layard, *Happiness : Lessons from a New Science (2d Ed.)* (London: Penguin Books, 2011).

[4] Cost-benefit analysis is another. See e.g. Cass Sunstein, *The Cost-Benefit Revolution* (Cambridge, MA: MIT Press, 2018).

[5] E.g. Matthew D. Adler, *Well-Being and Fair Distribution : Beyond Cost-Benefit Analysis* (New York: Oxford University Press, 2012); Matthew D. Adler and Marc Fleurbaey, eds., *The Oxford Handbook of Well-Being and Public Policy* (Oxford, UK: Oxford University Press, 2016), Adler, *Measuring Social Welfare: An Introduction,* above note 2.

individual's life can be represented by a single number, which can be compared to numbers representing the overall welfare of other lives.[6]

For example, suppose Frances, George, and Harriet survive a shipwreck and land on an uninhabited desert island. There is no prospect of rescue, but there is plenty of food and fresh water and the climate is mild. They therefore anticipate living on the island together for many years. These three survivors decide to create a welfare-consequentialist government, the decisions of which will bind them all. Their first decision is where to build their camp: on the beach, or on a nearby plateau. They agree that their decision on this question must bind all of them, because of the great advantages of living in proximity to each other.

However, Frances, George, and Harriet each have different preferences and sensitivities that are relevant to the question of where to live. The lifetime welfare of each will therefore be affected in a different way by the decision about where to live. Frances enjoys the sounds of the waves on the beach and finds the plateau too windy. George and Harriet consider the beach sand irritating, and they love the view from the plateau. They create two tables, comparing their aggregate welfare under the two alternative outcomes:

[6] John Broome, "Quantities of Lifetime Wellbeing," in *Weighing Lives* (Oxford, UK: Oxford, 2004).

Figure 1: Deciding Where to Make Camp

If they make camp on the beach:	
Individual	… will have expected lifetime welfare of
Frances	8
George	3
Harriet	2
Aggregation (Sum):	**13**

If they make camp on the plateau:	
Individual	… will have expected lifetime welfare of
Frances	3
George	4
Harriet	4
Aggregation (Sum):	**11**

The premise of a social welfare function is that lifetime welfare numbers are cardinal and comparable, both between people and between outcomes.[7] In other words, it can be said that, if the beach camp is chosen, Frances will have a better life than George, who will have a better life than Harriet. George and Harriet would have better lives under the plateau-camp policy than they would if the beach-camp policy is adopted.

The numbers in Figure 1 represent *expected* lifetime welfare. This allows the social welfare function to accommodate uncertainty.[8] Harriet's lifetime welfare if the beach camp is chosen cannot be precisely predicted. It might depend, for example on factors such as whether there will be sand-flies there in the spring. If Harriet's lifetime welfare in the beach-camp

[7] Interpersonal welfare comparisons, although once controversial, are increasingly accepted within both economics and philosophy: Robert E. Goodin, *Utilitarianism as a Public Philosophy* (Cambridge, UK: Cambridge University Press, 1995), Richard Layard and Gus O'Donnell, "How to Make Policy When Happiness Is the Goal (World Happiness Report, 2015)," accessed June 9, 2019. https://s3.amazonaws.com/happiness-report/2015/WHR15_Sep15.pdf.

[8] For a more sophisticated treatment of uncertainty, see Adler, *Measuring Social Welfare: An Introduction,* above note 2 at Chapter 3, Section D.

outcome would be 3 if there are no sand-flies, and 1 in there are sand-flies, and both eventualities are equally likely, then her expected welfare under this outcome is 2.[9]

Utilitarianism is the oldest form of welfare-consequentialism. It holds that the moral value of an outcome is determined by simply adding up the numbers for the individuals affected. If operating on utilitarian welfare-consequentialism, the government would decide to create camp on the beach. An alternative is the *prioritarian* social welfare function. This gives weight to equality as well as the maximization of welfare. Different prioritarian functions reflect different degrees of aversion to inequality.[10] Some prioritarian social welfare functions would tell the castaways' government to choose the second option (making camp on the plateau), because welfare is more evenly divided even though its sum is smaller.

Regardless of whether the function is utilitarian or prioritarian, it is not the votes or choices of the residents that make one policy option morally preferable to the other. Instead, it is the fact that aggregate welfare, under the chosen function, is higher under one than it is under the other. Unlike self-interested voting, the social welfare function takes into account how large a difference a policy choice would make to each individual affected by it.

1.1 Applications and Core Commitments

The social welfare function, or the closely related cost-benefit analysis approach, is often applied to evaluate economic policies involving taxation and risk regulation.[11] For example, banning a potentially dangerous chemical is considered a good policy if the positive effects of doing so on individuals' welfare (e.g. better health and longer lives) can be expected to exceed the negative effects on individuals' welfare (e.g. lost jobs for those who manufacture the chemical, and the removal of a market option for its consumers).[12]

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[9] (0.5 x 3) + (0.5 x 1) = 2

[10] Adler, above note 8.

[11] Sunstein, *supra* note 4, N. Gregory Mankiw, Matthew Weinzierl, and Danny Yagan, "Optimal Taxation in Theory and Practice," *The Journal of Economic Perspectives* 23 (2009); Adler, *Measuring Social Welfare: An Introduction,* above note 2.

[12] Matthew D. Adler and Nicolas Treich, "Prioritarianism and Climate Change," *Environ Resource Econ* 62 (2015), http://dx.doi.org/10.1007/s10640-015-9960-7; Matthew D. Adler, "A Better Calculus for Regulators: From Cost-Benefit Analysis to the Social Welfare Function (Working Paper Ee 17-01 March 2017)," (2017), http://sites.nicholasinstitute.duke.edu/environmentaleconomics/files/2017/03/WP-EE-17-01.pdf.

However, the approach can, in principle, be applied to any public policy question. A proposed residential apartment building would be allowed in a low-density area, despite neighbourhood opposition, if the welfare benefits of the development to prospective residents, local merchants, and other affected parties would outweigh the welfare losses to the neighbours and any other affected parties.[13] A military intervention to depose a foreign dictator would be justified if the aggregate expected benefits to the dictator's potential victims, and expected security benefits for individuals elsewhere, would outweigh welfare costs such as the loss of life in combat and financial cost of the intervention.

In cases such as military intervention, some welfare effects are experienced by a policy-maker's domestic constituents while others are experienced by foreigners. The policy-maker must decide whether and how to weigh welfare effects on foreigners within the social welfare function. Similar value judgments must be made regarding welfare effects on unborn individuals, and on non-human animals.[14]

As these examples illustrate, welfare-consequentialist policy analysis almost always involves weighing some individuals' welfare gains against other individuals' welfare losses.[15] The approach is *consequentialist* insofar as it evaluates public policies with exclusive reference to the difference those policies can be expected to make in the world.[16] For a welfarist policy-maker, "sins of omission" (failure to put in place policies which are very likely to produce strong net welfare benefits) are just as serious as "sins of commission".[17] Scholars in this school have developed sophisticated treatments of uncertainty,[18] and of policy choices which change the

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[13] More precisely, the permitted height and shape of the building would be chosen to maximize overall welfare gains from the project.

[14] John Broome, "The Well-Being of Future Generations," in *The Oxford Handbook of Well-Being and Public Policy*, ed. Matthew D. Adler and Marc Fleurbaey (Oxford, UK: Oxford University Press, 2016); Olof Johansson-Stenman, "Animal Welfare and Social Decisions: Is It Time to Take Bentham Seriously?," *Ecological Economics* 145 (2018), http://dx.doi.org/10.1016/j.ecolecon.2017.08.019.

[15] Pareto-optimal policy moves, that can make someone better off without making anyone worse off in any way, are very seldom possible for a government.

[16] Martha C. Nussbaum, *Creating Capabilities* (Cambridge, MA: Harvard University Press, 2013), location 993 [Kindle Edition].

[17] Peter Singer, *Ethics in the Real World: 82 Brief Essays on Things That Matter* (Princeton, NJ: Princeton University Press, 2016).

[18] John C. Harsanyi, "Cardinal Welfare, Individualistic Ethics, and Interpersonal Comparisons of Utility," *Journal of Political Economy* 63 (1955), Adler, "A Better Calculus for Regulators."

number of individuals who will live in the future.[19] *Normative individualism* is another premise of welfare-consequentialism. Individuals, not communities or other aggregations, are the entities whose welfare should matter to policy-makers.[20] This is not, of course, to deny that social groups have powerful instrumentally effects in making individuals' lives better or worse.

1.2 Defining and Measuring Individual Welfare

Welfare-consequentialists can take different approaches to defining and measuring individual welfare. Briefly, *objective good* accounts emphasize verifiable facts about individuals' lives (e.g. lifespan or education) in order to compare the quality of those lives.[21] *Preferentist* accounts define the good life in terms of the extent to which the individual's preferences are realized.[22] *Mental state accounts* ground welfare quantifications in how individuals feel or what they think. Mental state accounts can be hedonic (focused on individuals' pains and pleasures), or evaluative (relying on an individual's evaluation of his or her own life to indicate his or her welfare).[23]

An evaluative mental state account of welfare underlies the increasingly influential *life evaluation surveys,* and the policy recommendations that are based on them. Respondents are asked a question such as: "all things considered, how satisfied would you say you are with your life these days?" They are asked to respond with a number, usually ranging from 0 (completely dissatisfied or unhappy) to 10 (completely satisfied or happy). Comparing respondents' life-evaluation scores with their circumstances has produced robust findings about what makes people give higher or lower numbers.[24]

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[19] Katarzyna de Lazari-Radek and Peter Singer, *The Point of View of the Universe : Sidgwick and Contemporary Ethics* (Oxford: Oxford University Press, 2014); Broome, in *The Oxford Handbook of Well-Being and Public Policy*, above note 14.

[20] L. W. Sumner, *Welfare, Happiness, and Ethics* (New York Oxford University Press, 1996), p. 215.

[21] Amartya Sen, *Development as Freedom* (New York: Oxford, 2001); Nussbaum, *Creating Capabilities*, above note 16.

[22] Jonathan Baron, *Morality and Rational Choice* (Amsterdam: Springer Netherlands, 1993); Chris Heathwood, "Desire-Fulfillment Theory," in *The Routledge Handbook of Philosophy of Well-Being*, ed. Guy Fletcher (New York: Routledge, 2016).

[23] Blends of these approaches are also possible.

[24] Ruut Veenhoven, "Correlates of Happiness (World Database of Happiness)," accessed June 9, 2019. http://worlddatabaseofhappiness.eur.nl/hap_cor/cor_fp.htm.

The increasingly widespread use of life-evaluation surveys has supported welfare-consequentialist policy-making. It has been suggested that maximizing the aggregate scores that people give to their lives on life-evaluation surveys should be the primary goal of government.[25] Life-evaluation scores, as a universal yardstick of policy success, are attractive to many because the surveys empower each respondent to make his or her own decision about his or her welfare.[26] The state then has the technical task of designing policies to maximize welfare as defined in this way, on the basis of the best available evidence. The successful argument for expanded public spending on mental health therapies in the UK, described below, exemplifies what might be called "life-evaluationist welfare-consequentialism."

However, life-evaluation surveys do have shortcomings, in terms of their ability to sum up an individual's welfare. A person evaluating her own life on a scale of 0-10 cannot incorporate, in that score, things she doesn't know about. Some such things would certainly seem to be relevant to her lifetime welfare. Longevity is the prime example – a person evaluating her own life does not know how long she will live and her life-evaluation cannot reflect the extent to which her preferences about longevity will be fulfilled by her actual life.[27] It follows that a purely life-evaluationist welfare-consequentialism would give no weight to the effect of policy options on longevity. Life-evaluation scores also cannot detect welfare on non-human animals, whose interests must arguably be considered in some way by welfare-consequentialist policy-makers. For these among other reasons, the author has suggested that *preferentist* measures of welfare, based on the extent to which individuals' welfare-relevant preferences are fulfilled, should be used to fill in the gaps left by life-evaluationism.[28]

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[25] Veenhoven, "Greater happiness for a Greater Number," above note 3; Layard, above note 3; Andrew Clark et al., *The Origins of Happiness: The Science of Well-Being over the Life Course* (Princeton, New Jersey: Princeton University Press, 2018) at 325.

[26] Ed Diener et al., *Well-Being for Public Policy* (New York: Oxford University Press, 2009) at 47; Clark et al., above note 25 at 4.

[27] Ruut Veenhoven, "Apparent Quality-of-Life in Nations: How Long and Happy People Live," *Social Indicators Research* 71 (2005), http://dx.doi.org/10.1007/s11205-004-8014-2 at 69.

[28] Noel Semple, "Good Enough for Government Work? Life-Evaluation and Public Policy (Working Paper, May 31 2019)," accessed June 9, 2019. http://ssrn.com/abstract=3397151.

2 Welfare-Consequentialism and Social Policy

In many wealthy countries, the most politically controversial issues concern the appropriate role of the state in creating welfare. At the outset, this article identified three core, and hotly contested questions in social policy debates: (i) how much money should the state spend in the effort to improve individuals' lives; (ii) how should it allocate its scarce resources among alternative policy areas and programs; and (iii) what policy instruments should the state deploy to accomplish these goals. This Part considers how welfare-consequentialism might answer these three questions.

2.1 Optimizing Welfare State Size

State spending on social welfare includes budget allocations from all levels of government. Functionally, state spending also includes compelled state-compelled transfers. Examples include obligatory payments between private parties (e.g. mandatory employee benefits paid by employers), and compulsory retirement saving.

Welfare-consequentialism holds that the level of spending should be chosen so as to maximize expected aggregate welfare. Each dollar the state spends increases someone's welfare. It will generally increase welfare for the recipient of that dollar, and it will very often increase welfare for other people as well (e.g. the children of the recipient, and those from whom the recipient purchases things). Some state spending might constitute a true investment, in the sense that it will repay itself with future revenue increases.[29]

However each dollar of spending also has a welfare cost. The welfare cost is borne by the taxpayer or other individual who must give it the dollar so that the state or someone else can spend it.[30] If the state borrows the money, doing so has a welfare cost for those who will fund the eventual repayment of the debt.

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[29] Derek Curtis Bok, *The Politics of Happiness What Government Can Learn from the New Research on Well-Being* (Princeton: Princeton University Press, 2010), http://myaccess.library.utoronto.ca/login?url=http://ebookcentral.proquest.com/lib/utoronto/detail.action?docID=483530. at 95.

[30] Clark et al., above note 25 at 201

The welfare costs and benefits that can be expected if the state raises and spends the *next* (marginal) dollar are the focus.[31] Consider a minimalist "night watchman" state that levies no tax and spends nothing on social policy. Raising and spending the first dollar will almost certainly do more good than harm. This first dollar could be raised from a very small tax levied only on billionaires, whose welfare loss from it would be infinitesimally small. The first dollar would be spent, under welfare-consequentialism, on the program where it would make the largest welfare difference; perhaps a low-cost public health intervention (e.g. clean drinking water supply) that would make many lives much better by preventing disease.

As social spending increases, the welfare benefits created by each additional dollar decrease, assuming that the most welfare-enhancing programs are always prioritized. Meanwhile, the negative welfare effects of the public financing can also be expected to increase, after the burden passes a certain point, because the public financing eventually saps non-state sources of welfare. The state, obviously, is not the only source of welfare. Each individual pursues the things that he or she thinks will make his or her life better. People also contribute to others' welfare, both altruistically (e.g. charity and family relationships), and through voluntary market transactions.[32] The state is only one of "four realms of provisioning," the others being market, commons, and household.[33] Beyond a certain point, the more private resources the state conscripts in its pursuit of welfare, the less remains for non-state welfare-increasing activity. The declining marginal utility of income means that, as the government takes away more and more of people's income in tax, each additional dollar of tax becomes more welfare-diminishing.[34] Moreover, once tax rates go beyond a certain level, they diminish

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[31] "Since economists think on the margin, the welfare-economic question is typically not whether the action is right or wrong but what is the right amount—what are the right amounts of chocolate and global warming?" (Edward R. Morey, "What Are the Ethics of Welfare Economics? And, Are Welfare Economists Utilitarians?," *International Review of Economics* 65, no. 2 (2018), http://dx.doi.org/10.1007/s12232-018-0294-y).

[32] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (London: W. Strahan and T. Cadell, 1776); Milton Friedman and Rose Friedman, *Free to Choose: A Personal Statement* (Wilmington, MA: Mariner Books, 1980) at 37; John Hall and John F. Helliwell, *Happiness and Human Development* (New York: United Nations Development Programme, 2014) at 12.

[33] Kate Raworth, *Doughnut Economics : Seven Ways to Think Like a 21st Century Economist* (2017), at 136.

[34] Richard Layard, "Happiness and Public Policy: A Challenge to the Profession," *The Economic Journal* 116, no. 510 (2006), http://dx.doi.org/10.1111/j.1468-0297.2006.01073.x "

the incentive to earn and thereby suppress economic activity which broadly undermines welfare.

The level of spending at which costs begin to exceed benefits is, of course, one of the most contentious issues dividing left and right. Welfare-consequentialism offers an objective, rational answer to the question of whether any given state should increase or decrease its social spending. It should choose the level of spending which has the largest *net* welfare benefits.

2.2 Prioritization of Spending Areas

A second major question of social policy pertains to the allocation of scarce resources among alternative projects to enhance welfare. Money is obviously a scarce resource for states, but so are time and political capital. Welfare-consequentialism holds that state resources should be allocated in the manner most likely to maximize aggregate welfare.[35]

In practice, this means (i) producing more of the life situations that are empirically demonstrated to increase individual welfare, and (ii) suppressing the life situations that demonstrably suppress it. The magnitude of the welfare correlations (in terms of effects on individual welfare) and their amenability to policy intervention are both relevant.[36] Whenever aggregate expected long-run welfare can be increased by reallocating funds from program area X to program area Y, the government should do so.

2.2.1 The Argument for Mental Health Spending

The welfare-consequentialist approach is illustrated by the recent, successful push for shifting UK spending from physical health programs toward mental health programs. This argument, advanced by economist Richard Layard and his collaborators, exemplifies welfare-consequentialist policy analysis grounded in life-evaluation measures of individual welfare. [37]

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[35] As an example of this reasoning, a recent report from the UK's *All-Party Parliamentary Group on Wellbeing Economics* argued that "the Treasury should ask departments to justify their bids in terms of their impact on wellbeing." All-Party Parliamentary Group on Wellbeing Economics (UK), *A Spending Review to Increase Wellbeing: An Open Letter to the Chancellor* (London, UK: What Works Centre for Wellbeing, 2019), https://wellbeingeconomics.co.uk/wp-content/uploads/2019/05/Spending-review-to-ncrease-wellbeing-APPG-2019.pdf

[36] Diener et al., above note 26 at 134.

[37] Richard Layard and David M. Clark, *Thrive: The Power of Psychological Therapy* (London, UK: Penguin, 2013).

Within this argument, life-evaluation data is used first to establish the importance of this welfare-decreasing phenomenon, and then to establish the efficiency of the proposed solution (state-funded therapies) as a way to increase aggregate welfare, relative to other things the government might spend money on instead. In particular, the efficiency of mental health spending is compared favourably to that of physical health programs in this body of work.

Mental health problems are more common than many people believe. They affect roughly 20% of the population of OECD countries in any given year.[38] Mental health status is among the best predictors of an individual's life-evaluation in many wealthy countries. For example, according to a large-scale study of Connecticut residents, a reported life-evaluation improvement of 25.2 points out of 100 can be expected when an individual moves from "very often" feeling "down, depressed or hopeless in the past month" to "never" feeling that way.[39] In the UK, mental health has substantially greater effect on life evaluation than income, employment status, or physical health.[40]

The samples in life-evaluation studies are large and diverse enough to allow causation relationships to be established. It is *not* the case, according to this research, that poverty and/or unemployment are the real root causes of low life-evaluations, and these phenomena also cause mental health problems. Rather, mental health problems – which afflict employed and wealthy people almost as often as they afflict unemployed and poor people – are the leading root cause of low life-evaluation.[41] The large samples also mean that sources of bias in life-evaluation responses (e.g. the tendency of respondents to give different numbers on different days of the week) do not prevent causation relationships from being identified.

People adapt to some things over time, causing the effects of those things on life-evaluation to fade. For example, life-evaluation suffers a sharp drop after bereavement, but it

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[38] OECD, *Making Mental Health Count: The Social and Economic Costs of Neglecting Mental Health Care* (Paris: OECD, 2014), http://www.oecd.org/health/health-systems/making-mental-health-count-9789264208445-en.htm at 16.
[39] Christopher Barrington-Leigh and Jan T. Wollenberg, "Informing Policy Priorities Using Inference from Life Satisfaction Responses in a Large Community Survey," *Applied Research in Quality of Life* (2018), http://dx.doi.org/10.1007/s11482-018-9629-9.
[40] Clark et al., above note 25 at 214.
[41] Ibid. at 325.

recovers over time.[42] This is not the case for mental health conditions: one does not get used to them. They typically make one's life-evaluation substantially worse for as long as they last.[43]

Establishing the long-term welfare-suppressing effects of mental health problems is not sufficient to establish a welfare-consequentialist case for increased mental health spending. Some things that make people's lives worse for them (e.g. rainy weather or heartbreak) might be beyond the capacity of any government to prevent or mitigate. Mental health problems are not in this category. Interventions such as cognitive behavioural therapy have been proven to improve individuals' mental health, and thus their life-evaluations, according to Layard & Clark. Moreover, many people who would benefit from such treatments will not obtain them unless the government helps them do so.

Improving the life-evaluations of those with mental health problems is the most direct welfare benefit of publicly-funded mental health services. Call this a "first order" welfare benefit. However, the depth and breadth of life-evaluation research allows it to identify relatively small welfare effects, and effects brought about by complex chains of causation. "Second-order" or "knock-on" welfare benefits occur when a "mediating" factor or individual causes the intervention to have an additional effect, on someone else.[44] In this case, treating the mental health problems of parents eventually improves the life-evaluation scores of their children, by allowing the service-recipients to be more effective parents. Treating working-age adults is also likely to improve economic productivity and tax revenues, by improving the employment prospects of those receiving treatment.[45]

Thus, the welfare benefits of improving mental health services include first-order benefits for service-recipients, and second-order benefits for those who rely on service-recipients at home or work. Physical health problems, by contrast, are more likely to afflict older people without jobs or young children. This is one reason why a welfare-consequentialist

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[42] Ibid. at 179
[43] Layard, "Happiness and Public Policy," above note 34 at 29.
[44] Nicholas Stern, *Stern Review: The Economics of Climate Change* (London, UK: Government of the United Kingdom, 2006), http://mudancasclimaticas.cptec.inpe.br/~rmclima/pdfs/destaques/sternreview_report_complete.pdf at 27.
[45] Layard and Clark, at 44; All-Party Parliamentary Group on Wellbeing Economics (UK), at 11.

reallocation of total public health spending between mental and physical health services would favour the former category.[46]

Apparently accepting Layard et al.'s argument, the UK government substantially increased publicly-funded mental health services. The Improving Access to Psychological Therapies (IAPT) program, created in 2008, provided services to over 1 million people per year by 2019.[47] IAPT's contribution (if any) to the significant recent improvements in UK aggregate life-evaluation scores has not been identified.[48] However, it would be reasonable for this program, and its intellectual progenitors, to take some credit.

Building on this success, Layard and his collaborators applied this approach to a broad range of public policy options in their 2018 monograph *Origins of Happiness.*[49] In a chapter on budgeting, they describe alternative techniques to ensure that spending priorities are chosen rationally on welfare-consequentialist grounds. They call on governments to "rank all possible policies in terms of the extra happiness which they generate per dollar of expenditure, starting with the most effective and working down."[50]

Rationally dividing a fixed health budget between mental and physical therapies is impressive. However, a rational ranking of spending options in completely unrelated program areas could also be possible. Sam Harris suggests that "science should increasingly enable us to answer specific moral questions," such as "would it be better to spend our next billion dollars eradicating racism or malaria?"[51] The claim is jarring because racism and malaria seem at first to be like chalk and cheese. The former is a human injustice or bias, while the latter is a public

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[46] Arguing that mental health should receive a larger proportion of total health spending, see All-Party Parliamentary Group on Wellbeing Economics (UK), at 5.

[47] Nuffield Trust, "Improving Access to Psychological Therapies (Iapt) Programme," accessed June 9, 2019. https://www.nuffieldtrust.org.uk/resource/improving-access-to-psychological-therapies-iapt-programme.

[48] The average life-evaluations of UK residents increased from 7.42 to 7.69 (out of 10) between January 2012 and December 2018. The proportion evaluating their lives as less than 5 out of 10 decreased from 6.51% of the UK population in 2012 to 4.44% in 2018. Office for National Statistics (UK), "Life Satisfaction in the Uk, Year Ending March 2012 to Year Ending March 2018," accessed June 9, 2019. https://www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/wellbeing/datasets/headlineestimatesofpersonalwellbeing/july2017tojune2018/copyofpersonalwellbeingestimatesjuly2017tojune2018.xls.

[49] Clark et al., above note 25.

[50] Ibid..

[51] Sam Harris, *The Moral Landscape* (New York: The Free Press, 2010) p: 28.

health problem. Welfare-consequentialism asserts that, from policy-makers' point of view, they are both fundamentally alike: things that make life worse for individuals. Welfare-consequentialism is the science that can rationally divide our forces between these two fights, by objectively comparing these two evils in terms of the welfare damage they do and their amenability to policy intervention.

2.3 Policy Instrument Choice: Capacity and Humility

Instrument choice is a third crucial question in social policy, and one that remains after the overall level of spending and its allocation between program areas has been chosen. On one level, the application of welfare-consequentialism to instrument choice is straightforward, even platitudinous. The instruments selected should be those that, according to the available evidence, are most likely to maximize the aggregate welfare of all individuals affected by the policy. Instrument choice, under welfare-consequentialism, might seem to simply be a matter of instrumental rationality, or "what works."[52]

However, this philosophy's emphasis on evidence creates a risk of arrogant scientism. The island castaways hypothetical (Part 1) and the mental health spending argument (Part 2) both assume that science allows human policy-makers to predict and control welfare effects, reducing uncertainty to a quantifiable number. However, awareness of the limited *capacity* of human policy-makers to predict and maximize welfare for others must inform welfare-consequentialism. Considerations of state capacity, and human capacity, justify a degree of humility in welfare-consequentialist instrument choice.

2.3.1 Limits of State Capacity

Clearly, states have varying degrees of capacity.[53] Some policy instruments can only be carried out by states with sufficient capacity. The possibility of failure due to incapacity is clearly relevant to a prediction of welfare consequences. For example, the welfare benefit of privatizing Russia's state-owned industries in the early 1990s was greatly reduced because of

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[52] See Ronald Manzer, "Public Policy-Making as Practical Reasoning," *Canadian Journal of Political Science* 17, no. 03 (1984), http://dx.doi.org/10.1017/S0008423900031929 regarding "elitist planning" mode of instrumental rationality."

[53] Gordon E. Shockley and Peter M. Frank, "The Functions of Government in Social Entrepreneurship: Theory and Preliminary Evidence*," *Regional Science Policy & Practice* 3, no. 3 (2011), http://dx.doi.org/10.1111/j.1757-7802.2011.01036.x

the state's incapacity to maximize the value realized for these businesses. Many of them were instead acquired by politically connected oligarchs at fire sale prices.

When a policy instrument has intertemporal investment characteristics, the capacity of the state to see it through to fruition is very relevant in a prediction of its welfare consequences. Such policies impose short-term "pain" in anticipation of long-term "gain."[54] Examples include greenhouse gas mitigation efforts and balanced budgets. Whether such policies produce net welfare benefits may depend on the likelihood that future governments will continue them.[55] Similarly, the welfare benefits of a multilateral agreement (e.g. a nuclear disarmament treaty) will depend on whether the other parties have the capacity to follow through on their commitments. For these reasons, policy instruments that are optimal "on paper" may be inferior to alternatives that are based on more realistic assumptions about state capacity.

2.3.2 Limits of Human Capacity

In addition to these fairly obvious questions of state capacity, welfare-consequentialism must also engage on a deeper level with the limited cognitive capacity of human beings. No public policy-maker, however well-intentioned and well-informed, has the capacity to predict and maximize all welfare consequences. The world is not a simple, predictable machine that a government can manipulate with calculable consequences. A deep humility about the limits of human knowledge should characterize welfare-consequentialist instrument choice.

This is a reason not to underestimate the ability of non-state actors to increase welfare. Welfare-consequentialism is vulnerable to the "knowledge problem" explained by Friedrich Hayek.[56] Central planning struggles to create economic efficiency because the state cannot

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[54] Alan M. Jacobs, *Governing for the Long Term: Democracy and the Politics of Investment* (Cambridge, MA: Cambridge University Press, 2011); Jonathan Boston, *Governing for the Future: Designing Democratic Institutions for a Better Tomorrow* (Bingley, UK: Emerald 2017).

[55] "Policy investment is vulnerable to a second risk – a threat from politics. Not only may actors have difficulty determining the long-term effects of a plan faithfully implemented, but they also face the risk that a policy adopted today will be overturned tomorrow… policy investments often provide future governments not just with an opportunity to dismantle them: they may also provide a compelling motive." (Jacobs,)

[56] Peter M. Frank et al., "A Critical Assessment of Social Entrepreneurship," *Nonprofit and Voluntary Sector Quarterly* 45, no. 4_suppl (2016), http://dx.doi.org/10.1177/0899764016643611; Peter J. Boettke and Christopher J. Coyne, "Lessons from Austrian and Public Choice Economics for the Happiness Debate," in*... And the Pursuit of*

comprehend and act on widely-distributed information as well as individual market actors can.[57] Likewise, when policy-makers seek to make lives better, they should not be overconfident about their ability to do so. Despite the advances of life-evaluation and revealed-preference surveys, political authorities' knowledge of what would make individuals' lives better is still very limited.

Each person is the world's leading expert on his or her own welfare, and can generally be expected to effectively pursue it if given the freedom to do so.[58] As noted above, people also altruistically help improve the welfare of others, and they cooperate to deal with collective problems. They form complex systems, whose workings cannot be quickly ascertained by policy-makers who may easily do more good than harm when they interfere.[59]

Frank & Shockley suggest that the case for non-state responses to social problems is bolstered by Hayek's knowledge problem. Social entrepreneurs, they suggest, can "more efficiently deal with information problems inherent to policy making because they reside at the local level and thus by definition are closer to the social problem that needs to be addressed."[60] A hands-off policy of encouraging social entrepreneurship (without directing it) may be a policy instrument that manifests realistic humility about the state's ability to design welfare-enhancing policies. [61]

Happiness: Wellbeing and the Role of Government, ed. Philip Booth (London, UK: The Institute of Economic Affairs, 2012).

[57] "the ultimate decisions must be left to the people who are familiar with these circumstances, who know directly of the relevant changes and of the resources immediately available to meet them. We cannot expect that this problem will be solved by first communicating *all* this knowledge to a central board which, after integrating all knowledge, issues its orders." (Friedrich A. Hayek, ""The Use of Knowledge in Society"," *American Economic Review* 35, no. 4 (1945), at Section V.

[58] This is not to deny that humans make mistakes in predicting what will make them happy. For example, Layard emphasizes that people overestimate how happy additional income will make them: Layard, .

[59] Raworth, above note 33 at 136; Cass R. Sunstein, "More Is Less (the New Republic, May 18, 1998)," accessed June 9, at 37; Ian Sanderson, "Making Sense of 'What Works': Evidence Based Policy Making as Instrumental Rationality?," *Public Policy and Administration* 17, no. 3 (2002), http://dx.doi.org/10.1177/095207670201700305

[60] Frank et al., above note 56.

[61] See the discussion of polycentricity in Frank et al., above note 56.

This suggests a line of attack against the resource reallocation from physical to mental health services proposed by Layard et al. It might be argued that choosing fund allocations in Westminster based on UK-wide data about welfare effects misses the opportunity to fit policy to local needs. Granting local government – or even individuals themselves – the right to choose mixtures of physical and health services could, from this point of view, produce better welfare outcomes.

2.3.3 Respecting Constitutions and Traditions

There is a third way in which humility regarding capacity should inform welfare-consequentialist instrument choice. Longstanding precepts of government – some of which are legally formalized in constitutions – may come into conflict with the conclusions of social-scientific welfare-consequentialist analysis. When this happens, humility about capacity may justify deferring to constitution and tradition, and ruling out instruments that violate them.

The mental health policy instrument endorsed by Richard Layard and his collaborators is voluntary, publicly-funded therapy. Suppose that the welfare payoff from this policy instrument were found to be greatly limited by the fact that many people with mental health problems decline to participate. Suppose that someone proposes making participation in the therapy *compulsory*, for people who have mental health problems but pose no risk of violence to themselves or others. Perhaps compulsory therapy seems to offer superior net welfare effects, because:

- it is predicted that, on average, compulsory attendance would improve the self-reported life-evaluation of those who would only attend if compelled to do so
- the predicted welfare *loss* among other people – due to the anger and fear caused by this dramatic expansion of government power – is predicted to be smaller than the welfare gain experienced by the compelled-attendees

If welfare-consequentialism requires the government to always choose the policy instrument expected to make individuals' lives go best, does it follow that the government would be required to make mental health therapy mandatory?[62]

The answer is no, because welfare-consequentialism is compatible with deference to constitutional principles, such as respect for individual liberty.[63] The scientific evidence base upon which welfare-consequentialist policy instrument choices are made is not flawless. Even if it were flawless, the capacity of human policy makers to understand and apply it is limited. Policy-makers, like all humans, are prone to cognitive biases such as group-think and confirmation bias.[64] Welfare-enhancing government is a project that people have been pursuing for many centuries. It is work, as Edmund Burke said, that "requires the aid of more minds than one age can furnish."[65]

Certain precepts of government command very broad support, and have persisted for many generations. Some of these, including respect for certain individual human rights, have been legally entrenched in constitutional documents. Arguably, their constitutional stature reflects a sustained, inter-generational conclusion that respecting them is a good way to protect individual welfare. This might be a legitimate reason to exclude, from the toolbox of policy instruments, those that violate constitutional limits on state action.

The argument here is *not* that entrenched individual rights trump the normative obligation of the state to pursue the maximization of welfare. Indeed, welfare-consequentialism denies that there are any *intrinsically* valid policy commitments other than the effort to make individuals' lives better. The argument is that the *instrumental* value of

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[62] "A public administrator who wanted to maximise the total amount of psychological happiness might believe himself justified in forcing us to adopt some behaviours that render a higher level of happiness, and to avoid behaviours that negatively affect our happiness." (Martina Fissi, "Should Happiness Guide Social Policy?," *South African Journal of Philosophy* 33, no. 4 (2014) at 481-2.)

[63] Bok. , above note 29 at 40: "some acts of government are required and others prohibited under our Constitution regardless of what researchers tell us about their effects on the public's happiness."

[64] Justin O. Parkhurst, "Appeals to Evidence for the Resolution of Wicked Problems: The Origins and Mechanisms of Evidentiary Bias," *Policy Sciences* 49, no. 4 (2016), http://dx.doi.org/10.1007/s11077-016-9263-z

[65] "Where the great interests of mankind are concerned through a long succession of generations, that succession ought to be admitted into some share in the councils which are so deeply to affect them. If justice requires this, the work itself "requires the aid of more minds than one age can furnish." ({Burke, 1790 #6985}).

constitutional commitments, as time- proven ways to promote welfare-enhancing government, can reasonably be the subject of deference by policy-makers who are cognizant of their limited capacity to predict what will make people's lives go best.

The word "constitution" is being used loosely here, to include long-established principles of government that have seemed to work well in creating welfare over many centuries. For example, the regulated free-market economic system has consistently produced large welfare gains (at least for humans) wherever it has been implemented. The same is true of democracy. These are bounds on policy instrument choice that only a very arrogant policy analysist would propose to cross on the basis of a few studies about what makes people happy.

This is not to say that any policy instrument should be set in stone. If a government can be sufficiently sure that a constitutional commitment (e.g. the right to bear arms in the US Constitution) now reduces aggregate welfare, then that constitutional commitment should be amended. But it makes sense, from a welfare-consequentialist point of view, that especially high degrees of consensus (e.g. supermajorities) are required to amend constitutions.

Martina Fissi argues that

> where freedom is seen as a means to happiness rather than as an inalienable right, the threat of paternalism is ever-present. A happiness policy carries the seeds of paternalism insofar as it cannot identify a rule for delimiting the legitimate scope of governmental intervention in the private sphere. If we care about avoiding paternalism, we cannot refer to happiness in order to decide whether or not the government should be allowed to change people's preferences or to impose or forbid particular behaviours. We need to be able to appeal to other principles…. [66]

Humility and capacity awareness are the principles that constrain the state's choice of instruments under welfare-consequentialism. However, while Fissi argues that these principles

[66] Fissi, above note 62 at 481-2.

constrain the state's pursuit of welfare, my view is that they are essentially pragmatic ways to increase the chance that policy will actually do more good than harm for the individuals it affects.

3 Conclusion

Welfare-consequentialism is an appealing normative approach to public policy. It encourages broadminded attentiveness to all positive and negative effects of policy choices, including subtle, long-term, and unintended consequences. It has strong critical power, because it can quantify the welfare loss occasioned by policy sins either of omission or commission. Welfare-consequentialism is a monistic theory, that offers a single overriding conception of the good for public policy purposes.[67] By giving public policy a universal currency (welfare), it helps mediate between seemingly irreconcilable ideological camps. It suggests that in public policy, as in medicine or engineering, there really are some options that are absolutely better than others.[68]

This paper has considered the application of welfare-consequentialism to three major questions of social policy. The amount the government should spend (or require others to spend) is the amount that optimally trades off the benefits of spending the money against the costs of taking the money away from people. Funds should be allocated between competing programs and policy areas in the manner that is most likely to make individuals' lives go best, for them. When it comes to instrument choice, welfare-consequentialism might at first blush seem promote unlimited technocratic scientism. However, I have suggested that the state's limited capacity to execute different policy instruments is inherently relevant to predictions of welfare effects. More importantly, the human effort to predict and influence others' welfare is far from perfect. At a time when social policy is a major source of controversy in many parts of the world, welfare-consequentialism offers a rational and practical path toward government that makes lives better.

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[67] Ibid., p. 477.

[68] Samuel Freeman, "Problems with Some Consequentialist Arguments for Basic Rights," in *The Philosophy of Human Rights: Contemporary Controversies*, ed. Gerhard Ernst and Jan-Christoph Heilinger (Berlin: De Gruyter, 2011).

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