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CAN NORMATIVE ECONOMICS BE CONVINCING WITHOUT THE NOTION OF WELL-BEING?

Abstract

In this article, we examine the notion of well-being in light of the relationship between positive and normative economics. Having identified four interrelationships between possible theoretical developments within the two fields, we propose a framework for the analysis of normative economic theories. The starting point for these considerations were competing stances on well-being proposed by neoclassical welfare economics, Robert Sugden, Amartya Sen, and Daniel Hausman.

Keywords: well-being, welfare, opportunity, capability, normative economics, positive economics

The outbreak of the COVID-19 pandemic has forced policymakers to take immediate and radical measures, the most burdensome of which amounted to a temporary lockdown of the whole economy. Given the cost, should policymakers have agreed to this? In search for an answer to this normative question, they readily sought the help of economic advisers, for whom a correct decision ought to be based on reliable predictions of outcome and careful evaluation of cost and benefit. Economists have for instance estimated that the temporary lockdown of the US economy in April 2020 came at a loss of approximately $3 trillion in terms of GDP, but contributed to saving around 1.7 million lives, worth $8 trillion (Ip 2020). The decision was therefore economically justifiable, since the monetary value of the benefit significantly outweighed the cost. While reliable and ultimately accurate predictions may be formulated by means of economic models, which are the primary tools of

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positive economics, the evaluation of outcomes requires normative criteria. As illustrated by the COVID-19 example, a traditional economic outlook employs cost-benefit analysis, based on the theory of well-being as preference satisfaction. The time of the pandemic can be interpreted as a kind of "natural experiment," providing us with the impetus to reconsider our stance on the relationship between the positive and normative aspects of economics and the role that the concept of well-being plays in them.

To nuance Milton Friedman's influential claim (1953): the resolution of normative issues in economics does not seem to be dependent primarily on the development of positive economics and the predictive power of its models. It is also reliant on the normative concept of well-being, which has to be included in economic analysis and thus be treated as an integral part of the economist's scientific inquiry. In philosophical analyses, well-being is understood as a state which is valuable (non-instrumentally good) to a person, whether subjectively (e.g., happiness, preference satisfaction) or objectively (health, education, family, friendship, relationship).[1] Wanting to maintain philosophical modesty, economists usually refrain from pointing out specific things that ought to be intrinsically good for people. Instead, most advocate for a formal theory of well-being, which would indicate the means by which someone might discover what is intrinsically good for them. Economists argue that the right way to determine what constitutes an individual's well-being is to appeal to that individual's preferences. Consequently, the subject's actual preferences are understood as describing a state which is good for them. In formal theory, economists or philosophers do not point to any specific values which ought to be followed by individuals. Well-being comes down to satisfying preferences regardless of their content (Hausman, McPherson 2006: 119-120). In what follows, we will distinguish between the general, philosophical meaning of well-being and its particular economic interpretation, referred to as welfare.

Recently, views questioning the validity of the traditional stance on well-being in normative economics have emerged. A prominent critic of the concept is Robert Sugden (2018, 2019), who suggests that normative economics should be based on the concept of an "opportunity set" instead of welfare. Daniel Hausman (2019) in turn argues that the practice of economics does not require a theory of well-being. Amartya Sen (1988) had already proposed a substantial modification of the concept, focusing on capabilities instead of preference satisfaction.

[1] Since the publication of Derek Parfit's *Reasons and Persons* (1984), philosophical theories of well-being have been divided into three categories: (1) Hedonistic Theories, (2) Desire-Fulfilment Theories, and (3) Objective List Theories.

This paper aims to show the role of the category of well-being according to its normative saturation (non-normative vs normative well-being) within the interplay between positive and normative economics. We argue that the relationship between positive and normative economics and the role of positive economics in resolving normative issues depends primarily on the interpretation of the category of well-being.

Our analysis leads to three key insights. First, if the development of positive economics is the main mode of resolving normative issues, then the category of well-being (especially when as specific as welfare) can be abandoned or replaced. Second, when the welfare approach in normative economics is replaced by an opportunity or capability approach, the question remains whether to accept normative minimalism, in the hope of resolving most normative issues through the development of positive economics, or on the contrary, accept a value-laden approach in normative economics. Third, if the category of well-being is to remain crucial in normative economics, a richer, normative account of that concept is required, since positive economics cannot solve normative problems by merely equating well-being with welfare.

In the first part of this paper, we discuss the possibility of rejecting the concept of well-being in economics and replacing it with the concept of opportunity. In the second, we argue that an attempt at such a replacement could be more accurately described as a modification of the concept of well-being. In the third part, we call for going beyond the intuitive view of well-being and the development of a richer normative theory of well-being in economic science.

1. THE REJECTION OF WELL-BEING

1.1. FRIEDMAN'S STANCE AND NEOCLASSICAL WELFARE ECONOMICS

In his influential work from 1953, Friedman argues for the primacy of positive economics over their normative counterpart. He understood the former to be a system of generalization, used to formulate accurate predictions. He considered progress in positive economics to be the major force leading to a consensus in public policy much faster than the development of normative theories. This is because predictions about the consequences of actions form the necessary basis for their recommendation. What is more, Friedman argues that different individuals and groups with apparently conflicting views can actually share the same underlying values. According to Friedman, differences of opinion on what actions and policies should be undertaken arise mainly from differences in predicted outcomes. This is why normative economics (and the art of economics) would depend on positive economics. On the other hand, he considered positive economics to be divorced in content from one's ethical stance. The answer to the question "What are the consequences of event X or policy P?" is independent of normative issues in the sense that its adequacy should be judged based on "precision, scope, and conformity with experience" (Friedman 1953: 4), not on what someone happens to perceive as good or desirable. Such a position has reduced the scope of normative reflection, which might draw the attention of positive economics to certain phenomena, but is regarded as external to scientific inquiry.

Positive economics is therefore independent in content, but not necessarily in application from normative economics. We need to decide which actions and policies should be examined closely. Positive economics achieves such insight via normative considerations. Nevertheless, positive theories about phenomena are of much greater importance within the science of economics, since they provide an opportunity to agree on the most vital, practical, issues that economists are expected to tackle (we omit here the dispute between realism and instrumentalism in interpreting the status of positive theories in Friedman's work as an issue secondary to this paper).

As the example of the pandemic has shown, the applied aspect of economic theory (e.g., "What do we want to study?" and "What are our practical goals?") is not the only one that involves normative considerations. In terms of content, analysis outcomes are dependent on decisions concerning measurement tools, which bear normative weight. For instance, the value of COVID-19 vaccines is not measured in terms of the monetary value of saving human lives (Human Capital Method) but in terms of the willingness to pay for them (Contingent Valuation Method) (Cerda, García 2021, García, Cerda 2020). Despite much controversy over the latter method (Veisten 2007, Venkatachalam 2004), it has been chosen as more consistent with the idea of personal welfare in this context, as it appeals to individuals' subjective preferences rather than to the more objective sum of discounted, probability-weighted revenues of a person during their life expectancy.[2] This choice is an example of a double value judgment. Prioritizing the Social Welfare Method over the Human Capital Method is in itself a valuation. Furthermore, favoring the method that measures a subjective state of preference satisfaction over the objective sum of revenues dispels the notion of economics as a purely positive science which can do without any concept of well-being.

[2] We would like to thank an anonymous reviewer for pointing out this differentiation in methods of measurement and its implications.

Returning to Friedman: he seems to introduce a dichotomy with his distinction between positive and normative economics overlapping with the distinction between the scientific and the non-scientific (the ethical). Positive economics deals with empirical data, whereas normative economics deals with values over which "men can ultimately only fight" (Friedman 1953: 5). His thinking corresponds to the standards set by logical positivism for criteria of scientific conduct. He even claims that positive economics can be as objective as any physical science (Friedman 1953: 4). While we agree with Friedman's claim that "a major reason for distinguishing positive economics sharply from normative economics is precisely the contribution that can thereby be made to agreement about policy" (1953: 6-7), we choose to follow David Colander and Huei-Chun Su's (2015) understanding of the nature and consequences of this distinction specific to the field of economics. They have demonstrated that the distinction originated from "a pragmatic Mill/Keynes/Robbins tradition[3] that emphasizes the limitations of theory and empirical work in providing scientific grounding for policy" (2015: 168) rather than from within logical positivism, which on the contrary, highlights the limits of normative reflection and even its possibility to be sensibly discussed.

We posit that the theory of Neoclassical Welfare Economics (NWE) can be regarded as complimentary to the general way of thinking about the relationship between positive and normative economics present in Friedman's paper. NWE theory contains a preference-based account of well-being, which we refer to as welfare. In this case, the basis for the evaluation of states of affairs is formed by statements about the level of preference-satisfaction. Social welfare in NWE is interpreted as a sum or average of individuals' welfare, dependent on individual utility. Utility, in turn, is the value returned by the utility function, representing the preferences of an agent. Consequently, not that which is useful is preferred, but that is useful which is preferred. The emphasis is on individual choice. According to NWE theory, it communicates

[3] The terms "positive economics" and "normative economics" were coined by J. N. Keynes (1891) in the late XIX century, but the debate had started earlier with works of J. S. Mill (1844/1967, 1872/1974). Originally, Keynes distinguished also the "art of economics," the main task of which is the formulation of precepts (recommendations for public policy). Friedman was aware of the threefold division proposed by Keynes, but opted to build his narrative on the positive-normative dichotomy. This shows that positive and normative economics were understood differently by Keynes in 1891 and Friedman in 1953. When Friedman writes about normative economics, he means mainly recommendation of public policy, which is much closer to "art" as described by Keynes. The very idea of normative economics as "a body of systematized knowledge discussing criteria of what ought to be" (Keynes 1891: 34) seems to be absent from Friedman's thinking, because for him matters of values are non-discursive and so opinions on them cannot be interpreted as knowledge.

the agent's preferences and, therefore, points their welfare. There is a tendency in NWE to "define a person's 'welfare' as whatever it is that person actually maximizes," leading to a tautological account of it (Sen 1986: 8; 1979: 552). Such a concept of welfare becomes non-normative, since whatever is chosen by an agent is always considered good for them.[4]

There seems to be very little room left for discussion of normative issues in the NWE theory. The primary evaluative criterion is ceded to economic agents as their choices are considered the sole basis of welfare. This is because well-being understood as welfare is the satisfaction of people's preferences and people choose what they prefer.

1.2. FREEDOM INSTEAD OF THE WELL-BEING

One of the most interesting criticisms of NWE theory was proposed by Sugden (2010, 2018, 2019), who authored the theory of "opportunity as mutual advantage." Two major factors pushed Sugden to reject the neoclassical account of welfare and cast doubt on well-being as a normative criterion in economics.

The first of those were the findings of behavioral economics undermining the theory of rational choice, which is an important component of NWE theory. In the neoclassical formulation, an agent's set of preferences is complete and transitive; preferences are revealed through choice and are a plausible representation of an individual's judgments about their own welfare. Using these assumptions, economic choices under given constraints can be interpreted as maximizing welfare. Hausman (2012: 89) has shown that well-being may be based on individual preferences as exposed by choice only when the agent has stable and consistent preferences, can correctly judge what is good for them, cares about their own interest (is self-interested), and knows about the feasibility of their preferred option. Behavioral economics teaches that these conditions are hardly ever fulfilled. Given that the connection between an agent's choices and the maximization of their welfare effectively has been undermined, the logical consequence is either abandoning the commit-

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[4] We agree with Kwarciński and Załuski (2021: 182-184) that the account of well-being in NWE theory is non-normative, with at least one variant of it being also tautological. As they write "the definitional egoism (Sen 1977: 323) implied by the theory of revealed preferences, leads to the following tautological account of well-being: *The life of an agent S goes well if and only if S succeeds to choose, in the overwhelming majority of decisional situations he is faced with, the options that are the most preferred for him; and the statement that an option p is most preferred to S in a given decisional situation means that S chooses p in this situation*" (Kwarciński, Załuski 2021: 184).

ment to respect agents' choices or rejecting the maximization of welfare as a normative criterion. The former has been chosen by numerous researchers, such as C. R. Sunstein (2020) or B. Douglas Bernheim (2016), and led to the development of Behavioral Welfare Economics (BWE). They see certain behavioral findings as a justification for particular policy interventions intended to mitigate the negative effects of irrational behavior on welfare. Behavioral interventions attempt to "influence choices in a way that will make choosers better off, as judged by themselves" (Thaler, Sunstein 2008: 5). In other words, to make them act more in line with rational choice theory and thus maximize their own welfare.

The second argument that prompted Sugden to reject the reinterpretation of welfare proposed by BWE and the welfarist approach in general came from contractarianism (Sugden 2018, Buchanan 1986, Qizilbash 2020). Sugden begins by questioning the addressee of the considerations proposed by BWE. As he sees it, welfare economists tend to imagine their contributions as useful to a benevolent, unconstrained social planner, willing to listen to the recommendations of welfare economists. Sugden (2019) believes that normative economists should address their recommendations to a more realistic audience — namely, to every citizen as potentially party to a mutually beneficial agreement. While addressing normative considerations to agent A, one needs to apply a criterion that is convincing for A. Sugden argues that this constitutes grounds for the rejection of BWE, since a system in which the social planner maximizes social welfare by arbitrarily correcting citizens' own judgments is unconvincing and unacceptable to the citizens themselves. This has led Sugden to adopt a different normative criterion in normative economics: an increase in the scope of opportunities to do what one desires. As he himself puts it: "A person is deemed to be well-off, we might say, to the extent that she experiences the outcomes that she in fact desires" (2010: 55).

However, it should be noted that the extent to which we are able to satisfy our desires is strongly dependent on others. People desire various goods and services, so a person's opportunity set must always be considered in the context of market and society, since those enable desire-satisfying transactions. Therefore, the opportunity criterion includes the interconnectedness of agents' desires and opportunities. It can be formulated as follows: "a person is well-off by being able to choose whatever she might desire and be willing to pay for" (Sugden 2010: 55). Every opportunity presenting itself to an agent must be tied to someone else's benefit — the other party of a transaction. This is why Sugden labels his normative criterion "opportunity as a mutual advantage."

Sugden's ideas are associated with the liberal tradition of John Stuart Mill and his account of individual liberty (Sugden 2010: 58-59). According to Mill's liberty principle, people should be able to act "as we like, subject to such consequences as may follow: without impediment from our fellow-creatures, so long as what we do does not harm them, even though they should think our conduct foolish, perverse, or wrong," he later clarifies this principle as "freedom to unite, for any purpose not involving harm to others" (Mill 1859/2001: 16). Such an understanding of individual liberty can be fulfilled only in market conditions. Sugden is a strong advocate of a free-market economy, but his motivations are different from those present in NWE theory. Competitive markets are good, not because they are efficient means for satisfying people's preferences, but because they are the institutional structure providing opportunities for any voluntary transactions which people might wish to enter. Any voluntary transaction brings mutual advantage to its participants (groups of persons). Sugden further clarifies his stance: "Thus, in saying that an actual transaction is 'advantageous' to a person, no claim is being made about how that transaction promotes her well-being, or about its consistency with her supposed rational plan of life; all that is being said is that, at the moment at which the relevant choice is made, it is made willingly" (2010: 57). This can be interpreted as supplanting welfare with freedom as the supreme value within normative economics.[5]

1.3. NORMATIVE ECONOMICS WITHOUT THE CONCEPT OF WELL-BEING

Sugden rejected the concept of welfare but kept other essential elements of NWE theory, including absolute respect for individuals' choices, whatever those might be. He advocated for free, competitive markets and against paternalistic intervention. In his theory, freedom became the defining value of normative economics. Like NWE, Sugden also strives towards axiological minimalism, seeking to avoid any substantive ethical commitments. The question of what is really good for individuals remains external to the field of normative economics and is up to the individuals themselves to decide upon, with no obligation to explain or rationalize their choices. Normative economics deals only with the conditions that the system should meet for individuals to be able to realize what they consider to be valuable. Description and prediction of agents' actual behavior is the domain of positive economics. The relationship between positive and normative economics in Sugden's theory resembles that in the NWE theory. This does not mean, however, that

[5] Such an interpretation of the concept of opportunity as mutual advantage seems particularly apparent in Sugden's earlier works (2006, 2010). As we shall see, in his more recent book (2018), he references an individual's interests and desires, enabling a broader account of well-being to come to the fore.

Sugden can be classified as a proponent of new. On the contrary: being a behavioral economist he strongly opposes some of its basic concepts, such as the rationality of preferences.

We claim, however, that Sugden's account can be interpreted as a logical consequence of the normative minimalist stance characteristic of NWE theory (attempting to avoid substantive normative claims and ceding normativity to agents). With the preference-satisfaction theory of well-being undermined by behavioral evidence, in order to stay committed to the normative minimalism as well as the anti-interventionism inherent in NWE theory, Sugden decided to abandon the concept of welfare and based his defense of the market economy on the concept of opportunity. This leads us to our first conclusion: if the development of positive economics is the main mode of resolving normative issues, then the category of well-being (especially when as specific as welfare) can be abandoned or replaced.

2. MODIFYING WELL-BEING

We have inquired whether normative economics becomes value-free upon replacing its central concept of well-being as preference satisfaction (welfare) with an opportunity set. Let us broaden the scope of analysis by comparing Sugden's theory to Gary Becker's concept of opportunity, on one hand, and Sen's capability approach, on the other. While Sugden is convinced that the concept of welfare should be abandoned altogether, Sen intends to overcome the drawbacks presented by welfare by introducing a normative concept of well-being.

2.1. PREFERENCES WITHOUT NORMATIVE COMMITMENT

One of the central questions of this paper is whether normative economics can be practiced without the concept of well-being. Sugden seems convinced of such a possibility, since he attaches normative relevance to the satisfaction of one's preferences, whatever those may be ("whatever individuals' desires turn out to be," Sugden 2010: 58).[6] He sees preferences as having non-instrumental value, with preference satisfaction being in a person's best interest. Non-instrumental value is attached to an individual's preference even when

[6] Sugden uses the phrase "normative economics without preferences" (Sugden 2019: 421; 2020), but he does not make any claims about the qualities of those preferences (e.g., their rationality) and remains on the meta-level, stating that agents have preferences.

that preference is destructive, like smoking, or seems pointless, like wanting to count all the blades of grass on one's lawn (John Rawls' example). However, the subject of preferences is not the most crucial factor here. Sugden points out that even preferences which are irrational, inconsistent, intransitive, menu-dependent, etc. have non-instrumental value for a person. This has two consequences: the link between preference satisfaction and well-being becomes severed and we are left in need of something other than well-being to serve as a foundation for normative economics.

Sugden claims that even the satisfaction of irrational, ill-informed preferences carries normative significance for someone, since it is advantageous for them, and so every person should be interested in having the opportunity to satisfy their preferences and desires, whatever those might be.[7] To illustrate his position, Sugden gives a few examples. He claims, for instance, that in the case of a person shopping on behalf of a friend confined at home due to illness, the preferences of the friend become the shopper's reason for action (Sugden 2018: 92). Another example concerns a child strongly wishing to receive a particular Christmas present. Even when the child's father is convinced that an alternative gift would give the child more satisfaction in the near future, he nonetheless treats the child's preferences as a valid reason to give it what it most desires (Sugden 2018: 93). In a third example, Sugden compares two shops of different sizes, claiming that if the larger one offers more products than the smaller one and is no less convenient, then going to the larger shop will satisfy my preferences at least as well as going to the smaller one. The opportunity to better satisfy my preferences constitutes a reason to choose this larger shop (Sugden 2018: 93-94). In all three cases, one should do something because their or someone else's preferences have normative relevance regardless of their contents and relation to well-being. One ought to buy what one's ill friend prefers, a father ought to satisfy his child's wishes, choosing a larger shop gives me more opportunities to satisfy my preferences. We remain unconvinced that these examples indicate that preferences have normative power regardless of their contents. We consider Hausman's (2019: 7-10) critique of them to be valid.

Hausman remarks that in all three examples it is not preferences, but other factors that grant normative reasons for action. One ought to help an ill friend by buying them the requested items because one has promised to do so. What is more, when after reading their shopping list one encounters cheaper

[7] It is worth noting that Sugden is strictly against the idea of preference purification suggested by behavioral economists. He considers the theory according to which a so-called "inner rational man" (with well-informed preferences) is enclosed by an "irrational shell" to be fundamentally flawed (Infante, Lecouteux, Sugden 2016).

or better alternatives of some of the items they desire, one would probably not stick blindly to the list but rather opt for the better products. Similarly, it is not a child's preference that prompts parents to buy a particular Christmas gift, but their anticipation of the child's pleasure. If, for instance, they are convinced that the child prefers a given toy because of an attractive advert while in real life it would be, say, frightened by it, they would have a good reason not to fulfil the child's wish. In the last example, the reason to choose a larger shop rather over a smaller one is based on the costless possibility of benefit: I anticipate the presence of some additional products that might satisfy my preferences, making the whole trip more advantageous. It is hard to reject Hausman's objection that preference satisfaction on its own does not provide normative relevance for an action, but rather acquires such relevance when it somehow enhances personal well-being or attaches itself to other human values, such as freedom, happiness, or salvation. We cannot simply claim that normativity has to be based on a direct, objective fusion of preferences and well-being, compelling a person to prefer and opt only for things that are good for them. Nonetheless, it seems quite plausible that a person at least sometimes knows better than some higher-level authority (e.g., the government) what is good for them.

On one hand, Sugden is aware that it is not universally true that people know better what is good for them, which is in line with the findings of behavioral economics, but on the other, he would like to avoid a paternalistic solution where the government or another authority operates as a benevolent dictator, overwriting citizens' actual, uninformed preferences on the pretext of knowing better. According to Sugden, it is better, from the perspective of an individual, to follow one's own desires (whatever those may be) than to be forced or even just nudged to act according to a benevolent autocrat's will, even when doing so would actually be beneficial. At this point, Sugden explicitly declares the commonality that his position has with NWE theory: namely, that a person does not need to explain the reasons behind their preference: "the individual might reasonably say that it is not the economist's business to enquire into his reasons for wanting what he wants" (Sugden 2018: 95).

To sum up, preferences cannot be a source of normativity, as Hausman's analysis of Sugden's examples demonstrates. It seems to be a matter of common sense to recognize that people sometimes make mistakes and choose poorly and so we cannot be sure whether a link between choices, preferences, and well-being is always present.

Suppose we adopt the opposite view, not that a person should prefer what is good for them (Hausman's moderately objective approach) but that whatever is preferred by a person is good for them. In doing so, we return to the well-known concept of welfare in NWE theory. Let us note, however, that neoclassical economists impose strict limits on personal preferences with rational choice theory, by means of which they are able to maintain the link between preferences and well-being as a source of normativity. It seems that Sugden loses this link because of his claim that normative economics does not need to assume rational preferences. If a person's choices are based on intransitive, incomplete or menu-dependent and generally unstable preferences, it is impossible to infer any welfare claims from their actions. Sugden's position shares with the NWE theory the view that for such an inference, personal choices, preference rankings, and beliefs regarding welfare have to be intimately interconnected (Sugden 2020). Furthermore, his claim that normativity is directly attached to personal preferences but not to welfare appears unjustified. So how is it possible for Sugden to be right when arguing that people ought to have the opportunity to satisfy their preferences, should those even be both irrational and not constituting an independent normative base?

2.2. THE RESPONSIBLE AGENT AND A TACIT "AS IF" STRATEGY

Personal agency is a concept crucial to Sugden's theory. He perceives the person as a consumer making choices within a market and taking responsibility for them. Even when a person changes their mind and makes choices which are inconsistent in the long run, those are still their choices, with the person remaining "a self-acknowledged locus of responsibility" (Sugden 2018: 106).[8] As a responsible agent,[9] they are able to achieve so-called consumer sovereignty. For such a responsible agent, what is considered good is not any enhancement of well-being (understood in NWE theory as preference satisfaction), but rather an increase in opportunities from which they are free to choose. Sugden claims this directly: "if an individual is understood as a con-

[8] Sugden rejects alternative models of personal agency such as "multiple-self," "metaranking," and "inner rational man" models (2018: 104-106). The first, usually favored by decision theorists, is applied to preferences changing over time and solves the inconsistency problem by breaking down a person's agency into separate selves, each with its own integrated preferences (Strotz 1955). The second suggests that a person is able to create different levels of preference order; inconsistencies on the lower (preferred) level can be eliminated by the construction of a consistent metaranking (what one would like to prefer) (Sen 1977). The third, developed by behavioral welfare economists, assumes that there is a rational core of a person to which laundered or true preferences are attributable (Infante, Lecouteux, Sugden 2016).

[9] Sugden's concept of a responsible agent, based on unconditional self-identification, is sometimes criticized as counterintuitive (Schubert 2020).

tinuing locus of responsibility, any increase in that individual's lifetime opportunity is good for her in an unambiguous sense" (Sugden 2004: 1018). This can be interpreted as proof that Sugden does not entirely abandon the concept of well-being in a broader sense, but only changes its meaning from preference satisfaction (welfare) to opportunity increase. However, in order to do what they desire, agents require opportunities, which therefore do not seem to be of ultimate, autotelic value, but rather instruments for the fulfilment of will. This constitutes our criticism of Sugden's approach.

According to Sugden, consumer behavior can be explained by two sets of choices at the agent's disposal. He distinguishes the feasible set, consisting of a person's initial endowment, and the opportunity set, defined by the opportunity to buy and sell goods on the market. Sugden then claims that a market would work efficiently upon the fulfilment of the opportunity criterion. Broadly speaking, the opportunity criterion states that a consumer's conceivable bundle either belongs to their opportunity set or is not feasible for them. For instance, either someone has too little money to buy a fancy car (the good does not belong to their feasible set), or they have the trade opportunity to acquire the car from someone willing to sell it to them (the good does belong to their opportunity set). A reference to trading opportunities generalizes the opportunity criterion, which now states that "every feasible allocation other than the one that has, in fact, come about assigns to some other consumer a bundle that that consumer had the opportunity to achieve" (Sugden 2004: 1020). The extent to which agents are able to satisfy their preferences is highly dependent on others. Every opportunity of a market agent must include the benefit of someone else — the other party to the transaction. The opportunity set available to a person is always dependent on the desires of other members of society and the condition of the market. Sugden argues in favor of a market as an institution enabling free and responsible agents to fulfil their will, whatever that may be. Even when an agent's preferences are incoherent (changing their mind several times, buying and selling the same car, their market transactions generating a loss), nonetheless, since those decisions were made freely, a responsible agent still identifies with them.

Besides consumers freely exchanging goods, Sugden introduces professional traders to his model of an efficient market. It is worth noting that even if both types of agents (consumers and traders) are irrational in terms of possible preference inconsistency (violation of the axioms of rational choice theory), Sugden does not claim their complete irrationality. Consumers buy and sell only at the lowest and highest currently offered prices respectively. Traders can foresee profit opportunities and pursue them consistently. Additionally, they prefer more money to less, can accurately predict supply and demand,

and solve maximization problems. Sugden describes traders as "highly rational." They play a crucial role in the system because they conduct price arbitrage and their striving for profit induces market-clearing prices regardless of consumers' preference coherency (Sugden 2004: 1021). Thanks to traders and market mechanisms, consumers cannot money pump one another.

The money pump argument shows that an agent with cyclical preferences (which violate axioms of rational choice theory) can be exploited through a series of market transactions. Suppose agent A prefers good x to y and y to z, but also z to x. In such a case, if A's initial good is x, someone can offer a transaction exchanging x for y, at the price of \$1, then another offer to exchange y for z, also for \$1, and then once again, offer to trade z for x at a cost of \$1, and so on up to A's bankruptcy (Schick 1986: 116). Sugden claims that when the opportunity criterion is fulfilled, which happens in a competitive market, the low rationality of consumers and high rationality of traders are enough to prevent such exploitation of an agent holding incoherent preferences. "In equilibrium, preference inconsistencies are not exploited. What competition erodes is not individuals' propensities to act contrary to the axioms of rational choice theory, but the profit margins that can be achieved by trading with individuals who act in this way" (Sugden 2004: 1029). In other words, a competitive market does not guarantee that customers will comply with the axioms of rational choice theory, but rather prevents traders from exploiting agents holding incoherent preferences. Sugden expresses here the belief that an agent cannot be exploited even when they have incoherent preferences. Such a belief seems to be equivalent to the claim that people behave as if they are fully rational, having transitive and complete preferences. As Becker explains, an increase in the relative price of one good will shift opportunities away from it and prompt even irrational consumers (impulsive households) to reduce their consumption of that good, making them behave as if in compliance with rational choice theory (Becker 1962).

Both Sugden and Becker refer to agent's opportunities, both argue for a competitive market, both admit that real people can be irrational and neither considers that a problem. They differ, however, in their justification of why irrational behavior is not problematic. While Becker simply states that we are safe to assume that in a competitive market consumers act as if they are rational beings, tending to maximize their welfare, Sugden develops a theory that rejects welfare as a normative criterion for personal choices. Since they both reach the same conclusion, why should we follow Sugden and not Becker? Sugden argues that his defense of the free market is better than the defense offered by NWE theory, because he does not adopt the fiction of a benevolent dictator; however, if both economists reach the same conclusion, why should we concern ourselves with their justifications?

2.3. WELL-BEING AND "REASON TO DESIRE"

Let us consider one more appeal to the concept of opportunity in economics. This time the concept is introduced not to replace well-being as a key value in normative economics but to modify it and distinguish it from the concept of "welfare" prevalent in positive economics. This is the reason behind Sen's capability approach. To explain what capabilities are, Sen begins by elaborating on a concept of "functionings," which he credits with Aristotelian precedence. The concept of functionings "reflects the various things a person may value doing or being," including, for instance, adequate nourishment, freedom from avoidable disease, ability to take part in communal life, having self-respect, etc. (Sen 2002: 75). A person's capability is nothing else than the bundle or combination of their feasible and achievable functionings. Sen's "capabilities," like Sugden's "opportunities," reflect personal freedom. However, while Sugden highlights procedural liberty, which is a means to fulfilling one's desires (whatever those may be), Sen tends to focus on the idea of substantive freedom as a possibility to achieve a combination of valuable alternate functionings.

At first, it seems Sen chooses a similar strategy to Sugden, substituting the neoclassical concept of well-being defined as preference satisfaction (welfare), with the concept of personal freedom. However, Sugden is not very sympathetic to the capability approach. "My unease about Sen's proposal is that it licenses collective decisions that override some individuals' actual desires about how to live their own lives, in favor of other people's judgments about what those individuals have reason to desire," he writes (Sugden 2006: 41). Sugden can agree on ceding personal decisions neither to the government, understood as a benevolent dictator, nor to any other collective body, such as a community.

To avoid the threat of paternalism, the agent has to be the ultimate source of their choices and have the exclusive right to evaluate and follow their own desires. We can judge the validity of the concern about paternalism allegedly introduced by the capability approach by discussing the following example. Let us imagine three persons, each of whom has to decide what to eat. Ann wants to eat healthy and chooses apples over sweets. Bob would also like to eat healthy, but he usually chooses sweets instead of apples because his will is weak. The third person is Carmen, who can afford neither apples nor sweets, so she goes hungry or eats low-quality food on a daily basis. How can we compare these personal choices in terms of well-being as the satisfaction of actual preferences? First of all, we notice that Ann enhances her well-being when consuming healthy apples because she prefers them to sweets. Bob also enhances his well-being. Even though sweets are unhealthy, he still chooses them, his choice bearing witness to his actual desires (preferences). What is more, Carmen can also be seen as a person who enhances her well-being by consuming low-quality food. After all, that is also her choice. It seems that all agents, irrespective of their different circumstances, increase their welfare. How much would this picture change upon introducing a normative concept of well-being, such as capability? We might claim, for instance, that the ability to choose healthy food is a valuable capability, in which case Ann enhances her well-being by choosing it. Bob would also like to choose the healthy option, but his efforts are undermined by the weakness of his will. However, since he has the ability, though not the will, to choose good quality food and is probably aware of its nutritional value, Sen would not call for any special measures to improve his well-being (except perhaps reminding him of the advantages of eating healthy). The most important circumstance is that Carmen is unable to access good quality food, and so her choices do not enhance her well-being. In this case she could be, for instance, supported financially to enable her to buy healthy food. State support could give her the opportunity to formulate and fulfil her reasonable desires or informed preferences.

Sugden's theory does not discriminate between these three cases. He follows NWE, concerning himself with actual preferences, but stressing that they have non-instrumental value regardless of their rationality. Although those theoretical stances have quite different rationale, their practical recommendations are similar (i.e., we should develop economic policies and institutions that create favorable conditions for agents to do what they prefer). Advocates of BWE are able to discriminate between Ann's and Bob's positions. They would attempt to support Bob in committing to better choices. Bob might, for instance, be nudged to choose food which by his own judgement is wholesome, satisfying his true (informed), but not actual preferences. Sen, by contrast, is more concerned with Carmen's situation and would like to help her achieve basic capability to access healthy food.

To some extent, the pandemic has provided us with a real-world analogy to the thought experiment presented above. Providing free and widely available vaccines against SARS-CoV-2 while also introducing some form of tough regulations (such as "vaccine passports") would likely be described by Sen as increasing the scope of human capabilities. There are convincing reasons for an individual to want to be vaccinated and there are also important social considerations that suggest the maximization of the share of vaccinated population (such as lowering costs for healthcare systems or the possibility of the virus mutating). Designing choice architecture to induce people insufficiently motivated to be vaccinated would be a strategy favored by BWE advocates, while Sugden would consider forcing people to accept a vaccine for whatever reason or nudging them to do so to be an unacceptable, paternalistic action.

How can we discern which capabilities are basic and essential for humans and as such ought to be chosen over others? To some extent, this problem is solved by common intuition; there is a broad consensus that, for example, health, shelter, mobility, and education are of value to people. Oftentimes, common sense will be enough to establish what is good for someone and what is the reason for their desires. When intuition and common sense do not suffice, we can establish at least a partial hierarchy of human capability by means of democratic deliberation. Although Sen does not provide a detailed description of how the process of selecting and weighing capabilities might look like, he is convinced that each group of people ought to select, weigh, and prioritize them independently (Morris 2010: 72-74). Democratic deliberation gives citizens a chance to be involved in the construction of social values (goods and capabilities worth desiring as established by society).

When comparing the capability approach to the idea of opportunity as mutual advantage, it becomes apparent that the former is based on the objective while the latter on the subjective concept of well-being. Each theory has a different kind of relationship between desire and value. Following James Griffin (1993: 45), we can say that Sugden believes in the so-called taste model where something is valuable because it is desired, while Sen adheres to the perception model which gives priority to value and states that something is desired because it is valuable.

While we agree that such an objective approach raises paternalistic temptation, it should also be noticed that a purely subjective view (the satisfaction of actual desires) tempts us with inaction when support is vital (like in Carmen's case). The phrase "reason to desire" sounds paternalistic to Sugden, because Sen does not exclude the possibility that people have adaptive desires or preferences, in which case an external agent (e.g., a benevolent dictator) could recognize people's real desires more accurately than they could. For instance, a person living in extreme poverty adapts to their unfavorable conditions by curtailing their desires accordingly. Are the boundaries of human freedom really violated when we help a person forced to live in such harsh conditions? Not necessarily, especially when we comply with Sen's theory of moral objectivity, which asserts that our moral evaluation can be objective while both position-relative and invariant regarding authorship. This means that, by empathizing with someone, we are capable of making moral judgments approximate to their own. Even though our situations differ, we can still claim that something is good for someone, and they can agree that this is true from our point of view. For instance, we understand that Carmen had probably adapted to her poor conditions. What is more, we can imagine that were she to find herself in our circumstances, she would evaluate her current situation very similarly to how we evaluate hers now. Sen compares the act of moral evaluation to judgment regarding the truth or falsity of statements. The veracity of the statement "the sun is setting" varies depending on the position of the observer, but cannot differ from person to person when they occupy the same position (Sen 1985: 182-184).

We are aware that Sen's version of moral objectivity cannot be reconciled with a strong liberal view that claims, with regards to personal well-being, that it hardly likely for two individuals to occupy the same evaluative position. According to Mill's liberal tenet, shared by Sugden, every person occupies their own original position, and only they are able to judge what is truly good for them (Sugden 2010: 48). However, we do not find this tenet of originality entirely convincing. Even though every person obviously has their own unique experiences, other people are able to fairly accurately describe what these experiences feel like. For instance, in order to know that a person going outside on a cold winter day wearing only a T-shirt will feel cold, we do not have to be that person. The same applies to moral evaluation. One does not have to be Carmen to know that her capabilities are severely limited by poverty.

2.4. NORMATIVE ECONOMICS WITHOUT A PREFERENCE-BASED CONCEPT OF WELL-BEING

As we have shown so far, Sugden's normative economics were not developed without reference to well-being in a broader sense. In fact, we are not convinced that this was ever his intention. What he certainly wanted to achieve was the construction of a new normative economics without reference to a narrow concept of well-being such as welfare. By replacing welfare with opportunity sets he achieved only a modification of the concept of well-being in a broader sense (human interest). He sees opportunities as that which is good for a person, but understands them as the possibility to do as one desires, no matter what that would involve. It would appear that the realization of one's desires is ultimately good, which is a modified version of the neoclassical stance on well-being. What is more, Sugden's solution seems to be parallel to Becker's idea of "as if" rationality. Sugden was unable to elude the neoclassical paradigm, which treats well-being as a non-normative concept and cedes all matters concerning values to particular consumers and the factors influencing their choices. A different path was chosen by Sen, who, not unlike Sugden, departed from the idea of freedom but modified the neoclassical concept of well-being to be more normative and objective. This leads us to our second conclusion, namely that when the welfare approach in normative economics is replaced by the opportunity or capability approach, the question remains whether or not to accept normative minimalism, in the hope of resolving most normative issues through the development of positive economics, or on the contrary, accept a value-laden approach in normative economics.

3. REINFORCING WELL-BEING

3.1. THE INTUITIVE NEED FOR A CONCEPT OF WELL-BEING

We would like to conclude our analysis by commenting briefly on the stance of a philosopher who argued for the enhancement of welfare without a theory of welfare.[10] Hausman expresses his reservations towards Sugden's attempt to build normative economics without its central normative concept of welfare. As has been mentioned, Hausman disagrees with attaching normative relevance to agents' preferences. He also has some objections to the stance espoused by NWE, that when deciding what is good for a particular citizen, personal discernment always takes precedence over state discernment. He does not entirely abandon this principle, but claims that a person only occasionally knows better than the government what is good for them. On such theoretical grounds, economists, as experts, may at least sometimes criticize so-called ordinary people. They can, for instance, argue that, economically speaking, it would have been better for British citizens had the outcome of the Brexit referendum been ignored, with the UK staying in the EU (Hausman 2019: 10). Of course, this does not mean that criticism voiced by economic experts or political authorities is always justified or that experts have the right to interfere with personal preferences. This only demonstrates that such criticism has to be based on a concept of well-being (what is good for citizens) other than the satisfaction of their own preferences (welfare). Nonetheless, there are many examples of people making informed decisions, in which case their choices and preferences can be considered sufficient evidence for their well-being.

When factors which make preferences weak indicators of well-being are not present, preferences themselves become a useful guide to well-being. Hausman

[10] Hausman uses the terms "well-being" and "welfare" interchangeably.

indicates the following factors for consideration: (1) false beliefs — an agent has to avoid factual errors (e.g., thinking the weather is warm and dressing accordingly, only to find out that it is indeed cold); (2) poor evaluative judgment — sometimes people make foolish and irresponsible choices when they are confused by probabilities (e.g., children do not have enough experience to make correct decision in various situations); (3) temporary incompetence (e.g., drugs, emotional distress, and sleep deprivation can all undermine cognitive abilities); (4) non-self-interested preferences — when one's behavior is altruistic or malicious one can act against their own self-interest (Hausman 2019: 13).

Since all these factors seem plausible, the question arises whether and how we can know if they apply to a particular person in given circumstances. Sometimes erroneous beliefs are easily recognizable (like in cases of weather prediction), but in many cases even experts disagree significantly (for instance, attempting to predict the long-term consequences of Brexit). Although we can generally take for granted that adults make more informed decisions than children, behavioral economics reveals that even adults can be, and usually are, deceived when probability is involved. Drug use can be objectively tested, but sleep deprivation is not always visible, while it can impair cognitive ability. Last but not least, how can we be certain when observing someone's behavior that they want to promote their self-interest rather than act altruistically? Hausman's factors appear to be built upon general and vague criteria supplemented with intuition. His proposal can be considered a kind of moderately objective intuitionism. It seems to be intuitively true that people do not always prefer what is good for them. In judging a person's well-being, we cannot rely entirely on their own choices and preferences, but have to admit that at least sometimes a third party (e.g., an expert) knows better what is good for them.

3.2. INTUITION OR THEORY OF WELL-BEING

We are convinced that normative economics requires a normative basis because its main task is to answer evaluative questions to determine, for instance, which states of affairs would be better for a person, community, or state. Sugden's attempts at replacing welfare with opportunity sets, Hausman's criticism of this, and Sen's modification of well-being together strongly suggest the need for a richer definition of the concept of well-being than the one present in the NWE.

Hausman's proposal that we do not need a theory of welfare to enhance the well-being of particular people can be seen as preliminary evidence that common sense and intuition are often sufficient to establish what is good for a given person. In particular, we are able to intuitively recognize instances when well-being does not comply with preference satisfaction. Sen and Hausman share the view that well-being is a value-laden concept and cannot be equated with welfare, which is preference satisfaction. However, in contrast to Hausman, Sen offers more than general guidelines regarding how and when judgements about well-being can be reasonably inferred from someone's choices. He develops a theory of well-being based on human functionings and capabilities, an alternative to the one present in the NWE theory.

There are at least three reasons to prefer theory to intuition. Firstly, as psychologists and behavioral economists have demonstrated, while it would be unwise to dismiss our intuition completely, we cannot simply trust intuitive judgments (Kahnemann 2013). Secondly, theories are discursive, which means that one needs to propose rational arguments in support of them or may propose counterarguments to undermine them. This enables a rational process of deliberation upon what is good for someone. Thirdly, "it takes a theory to beat a theory." For instance, Rawls developed his contractarian theory to compete with utilitarianism (Bentham, Mill), the community as mutual advantage was proposed by Sugden as an alternative to BWE. Being convinced that the NWE account of well-being is incorrect, we need something more than intuition to effectively reject it. And so we find ourselves in need of an alternative, more relevant theory of well-being.

This leads us to our third claim: if the category of well-being is to remain crucial in normative economics, a richer, normative account of that concept is required, since positive economics cannot solve normative problems by merely equating well-being with welfare.

CONCLUSION: WHY ECONOMICS WITHOUT WELL-BEING IS NOT CONVINCING?

The pandemic has exposed the methodological flaws of economics, stemming from the fact that economic outcomes are not separate from other crucial elements of individual and social life. For example, while considering lockdown measures, policymakers ought to take into account a vast range of interconnected issues. The tragic trade-off presenting itself before them was between loss of GDP due to restricted business activity, on one hand, and the death of people in absence of those restrictions, on the other. To this we can add other well-being related problems which were at stake, such as mental health issues and the general decline in quality of life caused by separation from friends and family, the inability to pursue hobbies and routines, the threat to education caused by the inadequacy of remote teaching or even the possible cultural setback caused by the suspension of institutional cultural events. Economic calculus was only one of many crucial elements in this multidimensional decision-making processes, though its ontological or axiological separation from others would be incredibly hard or even impossible. Such conditions confirm that economics without a category of well-being is unconvincing. This has also been demonstrated by the analysis of those theoretical proposals that claim to allow for such a state of affairs, Sugden's view in particular. The value-laden category of well-being seems necessary both in economic science on the theoretical level and in economic practice.

Each of the discussed theoretical positions has been considered on two analytical dimensions: firstly, what is its basic notion of normative considerations, and secondly, how it treats the relationship between positive and normative economics. We can represent this as a matrix (see below).

		THE BASIC NOTION OF NORMATIVE CONSIDERATIONS	
		well-being/welfare	*opportunity/capabilities*
RELATION OF POSITIVE TO NORMATIVE ECONOMICS	*normative minimalism (non-normative well-being)*	1. Neoclassical Welfare Economics	2. Opportunity as mutual advantage [R. Sugden]
	value-laden approach in normative economics (normative well-being)	3. Well-being without theory [D. Hausman]	4. Capabilities and functionings [A. Sen]

Table 1. The matrix of analysed normative theories (source: own work)

Neoclassical Welfare Economics is committed to normative minimalism, meaning that agents' free choices are the only source of normativity relevant to economic analysis. NWE proponents assume agents' rationality, which enabled them to achieve a fusion of free choices with a maximization of welfare (square 1), but such a stance encountered certain problems, both under its positive and normative aspects. Each of the discussed authors reacted to those problems differently.

Sugden believes that, in light of the findings of behavioral economics, the stance taken by NWE should be rejected. However, he also opposes the BWE approach, which responds to those findings with a kind of paternalism in which the judgments of economists regarding what is good for individuals supersede in certain circumstances those individuals' own opinion. Just as NWE, Sugden strives to be normatively minimalist, trying to avoid any substantial ethical claims. The question of what is really good for an individual lies outside the scope of normative economics and is up to individuals to decide upon. Normative economics is only concerned with the conditions that a system ought to satisfy in order for individuals to be able to pursue what they consider valuable. This eventually led Sugden to reject the concept of welfare and replace it with that of opportunity (square 2). This, in turn, enabled him to keep some of the other elements of NWE theory, especially those concerning the advantages of markets. We have demonstrated that, although he replaced welfare with the opportunity set, he was not able to entirely reject well-being.

In order to preserve the notion of well-being, Hausman rejects normative minimalism in economics. He believes economists' expertise entitles them to make recommendations and declarations what they believe is good for social well-being. Economists, for instance, understand the inner workings of pension plans much better than most other citizens, so they ought to share their knowledge and, in some cases, tell people what is good for them. Hausman claims that such a stance does not require any specific theory of well-being: an intuitive, commonsensical notion of well-being, without any specific theory should suffice (square 3).

Sen believes that normative minimalism is actually a factor limiting the development of economics. Normative economists may benefit from enriching their theories with considerations derived from ethics or political philosophy. He does not reject the notion of well-being, but rather modifies it by introducing ethically entangled capabilities and functionings. His normative stance is moderately objective. Ethical truths are not given or set in stone, but evolve by means of social deliberation. The community can reach a reasonable agreement on values that should be recognized and realized (square 4).

The results of these analyses and the argument for maintaining the concept of well-being as the main category of normative economics presented above lead us to our last conclusion. The relationship between positive and normative economics and the role of positive economics in resolving normative issues depend primarily on how the category of well-being is interpreted.

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