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Working Paper

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Jena Economic Research Papers, No. 2008,061

Provided in Cooperation with:

Max Planck Institute of Economics

Suggested Citation: Güth, Werner; Kliemt, Hartmut (2008) : The impossibility of social choice and the possibilities of individual values: political and philosophical liberalism reconsidered, Jena Economic Research Papers, No. 2008,061, Friedrich Schiller University Jena and Max Planck Institute of Economics, Jena

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JENA ECONOMIC RESEARCH PAPERS



2008 – 061

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by

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www.jenecon.de

ISSN 1864-7057

The JENA ECONOMIC RESEARCH PAPERS is a joint publication of the Friedrich Schiller University and the Max Planck Institute of Economics, Jena, Germany. For editorial correspondence please contact m.pasche@wiwi.uni-jena.de.

Impressum:

Friedrich Schiller University Jena
Carl-Zeiss-Str. 3
D-07743 Jena
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The Impossibility of Social Choice and the Possibilities of Individual Values: Political and Philosophical Liberalism Reconsidered

Werner Güth and Hartmut Kliemt

Abstract (89 words):

Though the social choice of social institutions or social results is impossible – there is, *strictly speaking*, no social choice – individual evaluations of social institutions or results trivially are possible. Such individual evaluations can be deemed liberal either because they emphasize political institutions that embody liberal values (political liberalism) or because individuals make up their mind in a specifically “liberal” way of forming ethical judgment (philosophical liberalism). Seen in this light the Paradox of Liberalism is of theoretical or philosophical interest but not a practical problem of political (institutional) liberalism.

JEL Classification: B3, B52, D6, D7, D71

Key words: Philosophical Liberalism, Political Liberalism, Public Choice, Social Choice

1. Introduction and overview

As human beings we tend to ascribe mental states to collectivities. We also routinely conceive of our community as a whole as making “social choices”. Therefore what is going on in research on “we-intentions”, “team-reasoning”, “social ontology” etc. is important and interesting.¹ Nevertheless, there seem to be good reasons for assuming that the largest entity to which we cannot only ascribe actions and mental states but for which we also have a clear conception of how the “causa finalis” is operating seems to be the “individual” (in the common sense use

¹ See for very recent examples some of the papers in Peter and Schmid (2007).

of the term). This is not meant to deny that beyond its primary use there are secondary uses of the term “choice” that may be legitimately applied in some contexts.² Yet we emphasize that, in the paradigmatic sense of the term in which individual choice as made by a person is possible, social choice is impossible. In truly interactive choice making social results are not “chosen” by a single individual (at least not in the original sense of the term “choice”) but necessarily *emerge from the separate choices of individuals* (whether they occur within organizations like firms, across markets, or in politics).³

As opposed to the impossibility of social choice, evaluations of social states by individuals are, however, possible. The evaluations of individuals can rank order the emergent social results in the narrow sense of the term “evaluation” (as made by a specific person placing value). Such personal evaluations can be partial or impartial. They can lead to non-moral or to moral as well as to so-called ethical preference orders of an actor (see Harsanyi (1977)) which in turn can be represented by personal utility or personal welfare functions. For the following the specifics concerning an evaluative concept are not important. It must, however, be kept in mind that evaluations are distinct from institutionalized norms.

We start our discussion of the particular – or should we say “peculiar” – relationship between (liberal) institutionalized political norms and (philosophical) evaluations of such institutionalized norms with a few conceptual clarifications (2.). Then follows an endorsement of what may be called a “public” and a rejection of a “social” choice perspective on institutionalized norms and rules that define the game of politics (3.). Turning to personal evaluations of the game of politics and its

² And this might go to sub- as well as supra-individual entities; see Ainslee (1992) for the former and Coleman (1990), Vanberg (1982) for examples of the latter.

³ As a direct consequence of the preceding an ethics in terms of consequences of “social choice making” cannot employ the same meaning of terms as an ethics addressed directly to individuals and their choices.

results we focus on two problems of forming a “welfarist” personal social welfare function that represents the ethics of a person as depending on the “ethical values” of the persons concerned (4.). The first is the “circularity problem” (4.1.) the other the “Liberal Paradox” (4.2.). In the final section we conclude that in view of the impossibility of social choice, liberals should focus on institutions (and possibly appropriate values or opinions supporting them) while neglecting theoretical problems of welfare economics like that of circularity or the liberal paradox (5.).

2. Conceptual preliminaries

By the term “norm” we will understand basically *institutionalized* regularities that are embodied in and exhibited by overt behavior. “Value” we will very broadly understand as referring to individual reasons for rankings of social states or institutionalized regularities (norm systems). We will sometimes commit the rather harmless blunder of calling the rankings (orders) that emerge from reasons for the ranking of alternatives “values”, too.

We will use the term “public choice” for the *institutional* process in which “social outcomes are generated through social institutions or systems of social norms”. The term “Public Choice” in capital letters we will reserve for the explanatory *theory* of the norm-based institutional process of public choice.⁴ As opposed to this we will use “Social Choice” exclusively for the *theory* addressing issues of the judgmental ranking of social states or outcomes of the social process.

⁴ Normative Constitutional Political would be the corresponding normative theory ranking institutional orders.

Because literally speaking there is no *choice* of social results the proper purpose of the rankings developed in Social Choice⁵ perhaps needs to be somewhat further clarified.⁶ The following table may be helpful for that purpose.

social process or social choice	institutional perspective	judgmental perspective
Public Choice as a theory of how social states are brought about	x	?
Social Choice as a theory of forming value judgments on social states	?	x

Table 1

Much confusion arose because the off diagonal entries were seen as meaningful. But, to put it bluntly, they are not. Public Choice as we understand it here deals with games played within institutionalized norms. Social Choice again as we will use the term subsequently concerns evaluations and rankings of social states (and possibly, on the level of “constitutional choice”, institutionalized normative orders).

3. Public Choice as a theory of the game of politics

At a closer look the very term “public choice” must seem as strange as the term social choice. “The public” is not – at least not in the primary use of the term – a choice making entity (like a personal actor). Therefore, to imply by our phrasing that “it” is “making choices” in the sense a person does, contains a metaphorical

⁵ Social Choice in the preceding sense can be found in ethical and in welfare economic normative *theory*. It is applied by individuals in forming their personal welfare functions for the collectivity.

⁶ To be completely clear about this. Social choice was a very misleading bit of terminology from the outset. However, since there is the established tradition of using the term we keep using it, too, but suggest to reign in its confusing use to a core meaning which is related to evaluation rather than to institutionalized norms.

element.⁷ Using the term public choice there is no presumption that there is a specific choice making “social” entity whose involvement would separate public from other kinds of choices. Quite to the contrary like on markets, in the realm of politics, results *emerge* from choices of persons (or, perhaps, agents) but social results are not chosen *by* any person.

On markets and in politics – in fact within any organizational unit and its norms and regularities of conduct – individuals interact with each other according to certain “rules of the game” defining the organization (the game). And, results emerge within these rules; where the theoretical concept of a “rule of the game” is taken as comprising causal laws (natural) as well as man-made (artificial) rules (norms and laws).⁸ Game theoretically speaking, the so-called “rules of the game” comprise everything that is beyond choices or the causal influence of the decision making entities *in* a play of the game.⁹

Since the implications of the homo oeconomicus model of forward looking opportunity taking behavior began to be spelled out in the early sixties in more detail in non-co-operative game theory (with Schelling and Selten leading the “pack”) almost exactly when Public Choice (with Buchanan and Tullock leading the “other pack”) started its rise, the two seemed natural allies.¹⁰ Ultimately there is one game of life with one type of rational individuals populating that world. Specific results derive from the specific rules of partial or lower order specific

⁷ At least it may lead our intuitions astray the same way Rawls believes that it is leading us astray if we would, like the utilitarians, neglect the separateness of persons and conceive of society as if it were a unitary actor when we intend to rank order social states ethically.

⁸ As opposed to the Hayekian usage of terms which treats spontaneously emergent rules as “natural” (see Hayek (1973/1993)) rules need not be deliberately enacted to qualify as “artificial” if we use terms as proposed here. The crucial point is that the artificial would be otherwise if men acted or desired otherwise (see related to this Heinemann (1987/1945) and Buchanan (1979))

⁹ Including preferences, values and artificial rules/norms as well as natural features of the situation that are beyond the strategic influence of the players in *plays of the game considered*.

¹⁰ It seems fitting that the Public Choice Society meetings until rather recently were combined with those of the Economic Science Association and their focus on game experiments.

games (or from “structure” as political scientists might want to say).¹¹ Any sound explanation of behavior should be based on a *universal* explanatory model for which the “rules of the game” are antecedent clauses while the model of individual behavior as such must be governed by the same set of behavioral laws across games.¹²

It is assumed by non-co-operative game theory¹³ that players have full control over their individual moves but, exactly for that reason, except for special cases of deterministic trivial “games against nature”, no player has full control over results.¹⁴ For an illustration of this simple but much too often neglected point consider a 2 x 2 matrix game like the one in table 2 below. As in particular James M. Buchanan in his use of the metaphor of the 2 x 2 matrix game for “social choice” has always insisted, we cannot properly speaking say that the two players “choose” a result. They can either choose a column – as column player – or a row – as row player. Each can choose one of the two moves open to each of them but none can (unilaterally) choose one of the cells.¹⁵ This is impossible unless the other player were just a puppet on the strings of the choosing actor. Then the choosing actor merely would play against “nature” rather than a strategic game against a co-player who herself is an independent center of choice making.¹⁶

¹¹ Specific games like markets or voting in politics etc. are merely abstracted from the broader context to make them analytically tractable.

¹² This, of course, does not rule out that some rules of a lower order game are to be explained as emergent or artificially created in a higher order game as most obviously but not most typically in rules of self-amendment; see on this Suber (1990).

¹³ Which is distinguished from co-operative game theory by the assumption that the description of the game model contains all rules explicitly including any that may guide choices.

¹⁴ The functions – actions – mapping states of the world into results would each have to assign a constant result under all circumstances.

¹⁵ See on this, in particular Buchanan (1975/1996) and his earlier criticisms of the Social Choice paradigm as reprinted in Buchanan (1999), vol.1

¹⁶ Of course from an external point of view the other player may as well be seen as part of nature and subject to natural laws. There is no theory of free will implied that would be incompatible with soft determinism. We only stress the fact that an actor from her first person perspective phenomenologically must distinguish between making a choice and predicting it (including in particular her own choices).

The insight that even in the most simple case of a 2 x 2 matrix game the results of a play of the game are not chosen but are necessarily emergent obviously extends to games with any number of players, moves, and strategies. It holds true if we do not commit the – regrettably rather common – blunder to assume that a strategy can be chosen as an act and not merely as a plan.¹⁷ Therefore *any conceptualization of a social interaction in terms of non-co-operative game theory will imply that results cannot be chosen.*

Since the framework of non-co-operative game theory explicitly models all moves and thereby all causal influences of individuals¹⁸ on each other and their environment, it forms the most detailed and basic conceptual scheme for representing any form of social interaction.¹⁹ In this sense we may conclude that according to our fundamental models of the world *results of public choice cannot be chosen.*²⁰ They emerge within the norms structuring social interaction (while these norms themselves emerge within a higher order interaction etc. according to the same principles without social choice in the narrow sense ever taking place²¹).

When we conceptualize interactive choice making in the political realm as a game there is only public choice. The thesis of the impossibility of social choice is

¹⁷ If some illustration is desired, consider a pd. Transform the pd in a perfect information game in which the second mover knows the actions of the first mover. Write down the corresponding strategic game table. It is a two by four (not a two by two table). Assume now that the strategies are not merely plans but can be chosen as acts. Write down the graph and get a tree with imperfect information and eight end nodes. This will drive home the message if you need to receive it at all. Speaking of strategies as if they could be chosen in one act smuggles in commitment power without noticing it.

¹⁸ See on the more game theoretically minded modeling side Güth and Kliemt (2007 (forthc.))

¹⁹ But in an adequate account of what is going on that knowledge is merely expressed by game theoretic language tools (and it is expressed as part of the rules of the game). Game theory does itself not provide the empirical information expressed in the rules of the games analyzed. It does not contain any empirical “natural” behavioral laws but *represents* them along with “artificial” rules of games as for instance norms (as complex practices and regularities).

²⁰ See in particular Buchanan (2001). One should, however, bear in mind that classical or, to use Ken Binmore’s, see Binmore (1987/88)) apt term, “eductive” (non-co-operative) game theory is not a behavioural theory at all but rather a “theory of reasoning about knowledge” (in the sense of Fagin et al. (1995).

²¹ Of course, we say that we choose to enact norms by, say, processes of voting. But strictly speaking nobody makes the choice of enactment. The enactment emerges, chosen are acts like *saying* yes or no.

merely a corollary of the game conceptualization rather than a substantive insight in the structure of the world. Conceivably there might be other conceptualizations but we believe that none of them could have the credentials that non-co-operative game modeling commands as a basic conceptual scheme. Moreover, there seem to be good reasons for claiming that within any adequate conceptual scheme there is a categorical distinction between choice making in the narrow sense of bodily movements of phenotypes and choice making in the metaphorical sense of the “movements” of an “extended phenotype”.

4. Two problems with Social Choice

If there is no social choice then, as a theory, Social Choice does not seem to have an object. Nevertheless, like non-co-operative game theory, which provides the tools to represent and to analyze games characterized by systems of institutionalized norms, Social Choice provides conceptual tools to evaluation processes. The “social welfare function” which can be used to analyze the evaluative or judgmental side of ranking games and their outcomes as a whole is one such conceptual tool. Since no collectivity “makes” – properly speaking – “social choices” we assume that a social welfare function always represents an *individual's* preferences over collective outcomes (or whole sets of rules or norms governing the process leading to such outcomes).

A personal social welfare function yields a complete ordering of the results of public choice according to the values of the individual whose values are represented by the function. If the evaluating individual happens to endorse “welfarist” values, then he or she ranks games and outcomes of games according to how the concerned players themselves rank the outcomes of the game they play.

To be more specific, suppose that there are $n > 0$ individuals who have the preference orders R_i , $i=1, 2, \dots, n$ forming the profile (R_1, R_2, \dots, R_n) . An individual j 's welfare function w_j is welfarist if it expresses j 's ethical values as a function $w_j(R_1, R_2, \dots, R_n)$ of how the concerned individuals $i=1, 2, \dots, n$ themselves rank the states of the world. Depending on whether the individual j is internal or external to the relevant community different problems emerge. If the ranking is regarded as the (ethical) preference order of an external individual $j \notin \{1, 2, \dots, n\}$ who forms it on the basis of the game playing individuals' evaluations of outcomes there is no principal problem to formulate such a function. In this external observer case problems arise only if we impose additional requirements on that function. We will deal with that case and the problems of a "liberal" welfare function in the next section (see the section 4.2). In the case of a participant $j \in \{1, 2, \dots, n\}$ internal to the interaction the very formation of a welfarist function w_j may become problematic because it tends to make the evaluation of everybody dependent on that of each. Forming individual (second order) preferences on the basis of individual preferences concerning outcomes of the game seems to run the risk of circularity (or the risk of a progression to infinity).

4.1 The circularity problem

It is conventionally assumed that the preferences operative in the play of the game include already everything relevant to the ranking of end-results. With such satiated preferences there seems no room for an additional individual ranking on the basis of the profile of individual rankings.²² – We first explore the possibility that the preferences which form the arguments of w_j are non-satiated, then look at the case of satiated preferences and end this section with an example that exemplifies both.

²² See on this criticism of Arrow's approach to welfare economics, of course, already Little (1952).

Referring to the preferences in the game – guiding within rule choices – as “tastes” and preferences that concern the game as a whole – guiding rule choices – as “values” the problem of circularity may indeed be avoided.²³ If we do not want to impose specific trade offs between tastes we can assume that there are as many taste based social welfare functions as there are individuals. Each function is expressing the taste based ethical preferences of an individual who evaluates a game not only on the basis of her or his “within game”-tastes but also in the light of the “within game”-tastes of all other individuals concerned. Since the evaluation of the game as a whole is not based on evaluations of the game but merely on individual “within game”-tastes circularity is avoided.²⁴

Relying on non-satiated preferences the economist is taking the preferences not as given after all things have been considered by the individual holders of these preferences themselves. He still starts from given tastes but preference formation is taken into account. However, taking preferences into account but avoiding the introduction of tastes as distinct from preferences when considering preference formation makes preferences dependent on preferences. We have to form a preference order as a function of a profile (list) of individual preferences of which the preference order is itself a part. If each individual intends to make her or his own preferences a function of the preferences of the other individuals we get an interdependence that would require that we have $(R_1, R_2, \dots, R_n) = f(R_1, R_2, \dots, R_n)$, “a fixed point” of the function $f(\cdot)$ in other words. To put it slightly otherwise, if we assume that welfare functions $w_i, i=1, 2, \dots, n$, that express the individuals’ ethical values, exist, then these n personal welfare functions could each be functions of the

²³ Pattanaik discusses the criticisms of Arrow offered early on in Little (1952), Bergson (May, 1954), and takes them as seriously as they deserve. To Pattanaik’s excellent analysis we want to add merely that we distinguish not only tastes and values but also an institutional and an evaluative approach. This indicates that the present discussion is not only complimentary to Pattanaik’s great paper but also intends to be complementary.

²⁴ We do not go into the details of forming a preference order on an enlarged space of “procedures cum results” as in Pattanaik and Suzumura (1996).

satiated preferences of all individuals only if $R_i = w_i (R_1, R_2, \dots, R_n)$, $i=1, 2, \dots, n$. There might be several such fixed points, yet only a fixed point can fulfill the requirement of making the preferences of each a function of the preferences of all individuals.

Lengthy abstract considerations are fortunately unnecessary to illustrate the essential aspects of the preceding considerations. A very simple ultimatum game example suffices to exemplify them: The proposer X can propose a division (x, y) with $p \geq x \geq p/2$ and $x+y=p$ of the monetary pie $p(>0)$. The responder Y can accept ($\delta(x, y)=1$) or reject ($\delta(x, y)=0$) the proposal (x, y) . The monetary payoffs, depending on the choices, are $\delta(x, y)x$ for X and $\delta(x, y)(p-x)$ for Y.

Now, modeling preferences as dependent on preferences or tastes is a special case introducing other regarding concerns explicitly into the model. More generally speaking other regarding concerns could be based

(i) on the material payoffs $\delta(x, y)x$ and $\delta(x, y)(p-x)$ and

(ii) on the individual evaluations $u_x(\delta(x, y)x)$ and $u_y(\delta(x, y)(p-x))$ of such outcomes.

In case (i), each individual X and Y is free to evaluate results by not just considering only her own monetary payoff but that of the other as well. This can express itself as altruism, e.g. in the additive form

$$U_x(\delta(x, y)x, \delta(x, y)(p-x)) = \delta(x, y)x + \alpha_x \delta(x, y)(p-x)$$

$$U_y(\delta(x, y)x, \delta(x, y)(p-x)) = \delta(x, y)(p-x) + \alpha_y \delta(x, y)x$$

with $\alpha_x, \alpha_y > 0$. It can also adopt the form of inequ(al)ity aversion (Loewenstein et al. (1989); Bolton (1991); Bolton and Ockenfels (2000); Fehr and Schmidt (1999)) as expressed by functions

$$U_x(\delta(x, y)x, \delta(x, y)(2x - p)) \text{ and } U_y(\delta(x, y)(p - x), \delta(x, y)(2x - p))$$

which depend positively (negatively) on their first (second) argument.

The material payoffs, and their individual evaluations $U_x(\cdot, \cdot)$ and $U_y(\cdot, \cdot)$ are distinguished and circularity can be avoided.

In case (ii), we can read $u_x(\cdot)$ and $u_y(\cdot)$ as representing “tastes”. Then the latter could become arguments of individual welfare functions

$$w_x(u_x, u_y) \text{ and } w_y(u_y, u_x).$$

This also would avoid the circularity problem. The problem, however, emerges when assuming satiated preferences.

Let us distinguish the latter as case (iii) from the two preceding. Consider functions

$$(iii) \ w_x = w_x[\delta(x, y)x, w_y] \text{ and } w_y = w_y[\delta(x, y)(p - x), w_x]$$

that due to “altruism” are increasing in both their arguments. According to such an interdependent altruism (in the spirit of Becker (Feb., 1981)) or such a characterization of interdependent welfare, one can derive a fixed point provided that appropriate existence conditions are met by $w_x(\cdot, \cdot)$ and $w_y(\cdot, \cdot)$:

$$(w_x, w_y) = (w_x [\delta(x, y)x, w_y \langle \delta(x, y)(p-x), w_x \rangle], w_y [\delta(x, y)(p-x), w_x (\delta(x, y)x, w_y)]).$$

We do not believe that such considerations are particularly important within the ordinary business of life. Yet they may play a role for ethical theory formation if the assumption that there is an external point of view from which an ethical theorist or welfare economist can form her personal welfare judgments for the collectivity is deemed unacceptable. An evaluator who conceives of herself as a participant rather than an external observer in the process of ethical deliberation may be confronted with circularity problems if she intends to take the ethical preferences of all into account and knows that the others adopt the same participant's point of view.²⁵ If we assume that the moral point of view is external to the collectivity whose welfare is evaluated the circularity problem vanishes. However, those who adopt such an external point of view with the intention to respect the given preferences of others and simply to ratify them might run into problems, too.

4.2 The liberal problem²⁶

Consider an evaluator j , $j \notin \{1, 2, \dots, n\}$, external to the collectivity of n individuals. Such an individual j may rank the institutionalized norms defining the game of politics according to some criterion of better or worse without restricting himself to the results of the game. There is no reason why in particular preferences of a procedural type could not be formed. Problems arise only if a specific "welfarist" economic perspective on *evaluation* is mixed up with *institutional* issues of bringing about results.²⁷

²⁵ Not necessarily the point of view Strawson had in mind but something akin to it, Strawson (1962).

²⁶ Regarding political or institutional liberalism, Robert Sugden got it basically right on "rights". Others went into similar directions. Some of the discussion is summed up usefully in Gaertner (2006), chap. 4 though strangely enough without mentioning Sugden, e.g. Sugden (1985), Sugden (1994).

²⁷ This is not about tastes vs. values. The relevant distinction is one between institutions or mechanisms and the evaluations thereof. It clearly has something to do with alternative conceptualizations of rights, as characterized for instance in Gaertner et al. (1992), yet the distinction we intend to make is even more elementary and plain.

We can make a simple yet fundamental distinction between two forms of liberalism, political and evaluative. *Political liberalism* is institutional (or constitutional). It is embodied in the structure of the game or the norms and other rules of the game defining “the game form” (basically the moves open to players disregarding the payoffs).²⁸ *Philosophical liberalism* is “judgmental”. It concerns itself with how to *evaluate* game results on the basis of individual values (or perhaps tastes if the preceding distinction is made).

In political liberalism the liberal element is embodied in the rules (norms, institutions). In philosophical liberalism the liberal element is entailed in how we form ethical opinions. Though we personally prefer to conceive of liberalism in terms of institutionalized norms²⁹ and believe that such political liberalism is the core of what liberalism stands for, we do not deny that there seems to be another use of the term “liberalism”. The latter characterizes a position that is judgmental or evaluative. For simplicity we refer to this evaluative view as “philosophical” though it is endorsed not merely by philosophers but by economists as well.

Amartya K. Sen identified, we think, quite correctly a philosophical problem for the not uncommon type of a liberal economist who endorses welfarist welfare functions along with a Robbins type meta-ethics to express his self-restraint or his respect for “given preferences” in passing value judgments. According to Sen an *evaluation* is „liberal“ in a minimal sense, if it fulfils

L: individual rankings of “other” are owned in judgment of self sometimes
P: respect for unanimity (Pareto) are respected by judgment of self
U: unrestricted acceptance of other’s values or neutrality judgment of self

²⁸ The values supporting it may typically be procedural.

²⁹ In this political “norm focused” reading the fact that pd incentive structures may emerge and lead to Pareto dominated results is entirely trivial and no paradox (of liberalism or other). Payoff dominated results can, of course, emerge from rational play.

Somebody who intends to pay due respect to individuals' desires may be naturally inclined towards these requirements on forming his own value judgments. James M. Buchanan's approach seems to be a paradigm case in point. He is of the opinion – endorses the value – that respecting the values of others is essential when forming our own value judgments for society. Leaving aside the fact that for Buchanan – due to norms of inter-personal respect – on the ultimate level of justification *only* Pareto improvements may count as ethical improvements³⁰, the three conditions named above seem indeed to express what it means to refrain from “playing God” in Buchanan's sense. The answer why, emerges from a series of questions deemed rhetorical by “philosophically liberal economists”:

Who are you, to say that some of the preference orders endorsed by the individuals should not be taken into account? → you accept universal domain, U.

Who are you, to say that a Pareto improvement should not be realized? → you accept that being a Pareto improvement is sufficient for ranking a social result higher in your ethical value order than another one, P.

Who are you, not to go along in your own ethical evaluations with the individuals' evaluations at least *sometimes* (and regardless of the value judgments of others in the collectivity whose social states you order) → you accept condition, L.³¹

If we intend to render our own welfare judgments subservient to the value judgments of those who are themselves concerned (i.e., respect the “given

³⁰ Being a Pareto improvement becomes necessary rather than merely sufficient for legitimacy. Only if a proposed measure is a Pareto improvement the autonomy of others in forming their value judgments receives full Kantian respect.

³¹ Or, for that matter, Sen's condition L' of minimal liberalism

preferences”) we should accept the preceding line of argument. In forming our own values we want to *ratify* values of those concerned rather than impose our own. We do not only intend to “live and let live”, we evaluate states of the world according to the personal “liberal” maxim that – other things being equal – the world is a better place if people get more rather than less of what they themselves prefer to get. Rather than let them have what we prefer them to have we ratify their views.

As in case of the circularity problem a specific example may be helpful. The so called “paradox of liberalism” can be used to illustrate what is at stake here. With some inessential modifications of Sen’s original story (see Sen (1970)) we can present the paradox starting from a simple two by two matrix:³²

Lascivious		
Prude	non-read	read
read	3, 3	1, 4
non-read	4, 1	2, 2

Table 2

As the story runs, Prude is chiefly interested to keep Lascivious “out of the fire” of reading Lady Chatterley’s Lover. Lascivious deems it most important that Prude reads the book. Yet, if Lascivious reads, then Prude prefers not to read. If Lascivious does not read, then Prude also prefers not to read. So regardless of what Lascivious does, Prude prefers not to read. Likewise, regardless of what the other

³² We are not interested in the game form conceptualization as already implicitly in Buchanan (1975/1996), also Gaertner et al. (1992) and, of course, again Sugden (1994).

does, Lascivious prefers to read. However, the evaluation of the state (read, non-read) ranks higher than (non-read, read) in the value rankings of both.³³

Now, order the cells of the table 2 in a vector

$v := (\text{read, non read}, \text{read, read}, \text{non-read, non-read}, \text{non-read, read})$

and represent the personal ethical value rankings *for* society (these might be simple tastes if we were to respect tastes) by Prude and Lascivious, respectively, by the two corresponding vectors of ordinal ranking numbers (3, 1, 4, 2), (3, 4, 1, 2). We get then $w_{\text{impartial observer}}((3, 1, 4, 2); (3, 4, 1, 2))$. This function will rank-order the entries in v .³⁴ If we restrict the condition L to something akin to Sen's minimum L' the function should respect the preference of Lascivious in the value ranking for the collectivity over at least two pairs of alternatives, eg. the pairs (non-read, non-read), (non-read, read). If Lascivious ranks them "(non-read, read) $P_{\text{Lascivious}}$ (non-read, non-read)" then this should be "ratified" by the impartial observer:

"(non-read, read) $P_{\text{impartial observer}}$ (non-read, non-read)"

The respective ordering of Lascivious is represented by the personal impartial function $w_{\text{impartial observer}}((3, 1, 4, 2); (3, 4, 1, 2))$ showing the impartial observers ranking of the entries in v as a function of the preferences of Prude and Lascivious; i.e.:

$w_{\text{impartial observer}}((3, 1, 4, 2); (3, 4, 1, 2)) (\text{non-read, read}) >$
 $w_{\text{impartial observer}}((3, 1, 4, 2); (3, 4, 1, 2)) (\text{non-read, non-read})$

³³ For each it is more important that the other co-operates with his wishes than to realize his own preferences between acts. But this is in the end an inessential interpretational aspect.

³⁴ This is not necessarily leading to a contradiction if we think of it as ascending in a hierarchy of value orderings based on lower order value orderings.

Likewise the impartial observer can ratify and in this sense respect the preference, say, “(non-read, non-read) P_{Prude} (read, non-read)” of the prude individual only if

$$W_{\text{impartial observer}}((3, 1, 4, 2); (3, 4, 1, 2))((\text{non-read}, \text{non-read})) >$$

$$W_{\text{impartial observer}}((3, 1, 4, 2); (3, 4, 1, 2))((\text{read}, \text{non-read}))$$

If the value ranking emergent for the impartial observer is to comply with the preceding we have

$$(\text{non-read}, \text{read}) P_{\text{impartial observer}} (\text{non-read}, \text{non-read})$$

and

$$(\text{non-read}, \text{non-read}) P_{\text{impartial observer}} (\text{read}, \text{non-read})$$

With transitivity we get

$$(\text{non-read}, \text{read}) P_{\text{impartial observer}} (\text{read}, \text{non-read})$$

which contradicts the requirement that value judgments of the impartial observer should respect Pareto improvements. This amounts to stating that one cannot let individuals dictate one's own value orders – make them “dictators” as far as one's own ordering is concerned – and at the same time restrict their dictatorship by the Pareto principle. Neutral ratification to which the philosophical liberal aspires according to his central value of not imposing his own values on others is impossible. He must take a stance and cannot simply ratify in the ways intended.

Stated that flatly the whole thing seems entirely trivial. But let us emphasize that we are concerned with the sphere of *evaluations*. The discussion is about forming values not about norms, it is about opinion not about institutions. We are concerned with rankings rather than with bringing about results. Therefore the argument that results of interaction necessarily emerge and cannot properly be chosen does not apply. Of course, individuals can meaningfully form their individual rankings over social results even if they cannot in the proper sense of that term “choose” them.

Philosophical liberalism can meaningfully be formulated by characterizing the structure of the *evaluation function* (welfare function). However, this will not result in confusion only if liberalism is strictly seen as a matter of liberal *evaluations* and *not* of liberal political *institutions*. To put it slightly otherwise, the impossibility of a liberal evaluation does not at all amount to an impossibility of liberal political institutions. It points out a problem of a welfarist framework in Social Choice and not at all of liberal institutionalized normative orders or political liberalism. Seen in this light it is entirely clear that the “paradox of liberalism” has nothing to do with political rights and the norms that define those rights. It is irrelevant for liberal policies.

However, as far as formulations of philosophical or judgmental liberalism are concerned Sen has a point.³⁵ The requirements L, P, U, on the opinion formation process of a *judgmental* “Paretian Liberal” are *an* explication of what a “value skeptical” economist intends to accomplish when he rejects “playing God” in the formulation of his social welfare function for the collectivity. As the theorem shows that explication is inconsistent.³⁶ The economist cannot keep sitting on the

³⁵ Making the argument appear more relevant by blurring the distinction between the institutional and the judgmental perspective was, of course, an illegitimate strategy.

³⁶ There may be other ones but they will lead to analogues of the variant of the Gibbard’s paradox within the sphere of evaluation.

fence altogether when it comes to formulating his personal welfare function for the collectivity. If he intends to let each separate individual dictate his own ethical *judgment* concerning at least the ordering of one pair of social states, he cannot meaningfully let the individuals concerned dictate his ordering of social states. He cannot merely ratify.³⁷

To put it bluntly, those who prefer liberal political institutions will have to defend that value judgment on substantial grounds. They cannot derive it from any meta-ethical assumptions about how value judgments should be formed. The ideals guiding the formation of value judgments do not imply norms guiding behavior.

5. Conclusion

Like in Popper's plea for intolerance towards the intolerant somebody may be willing to impose the constitution of a free liberal order on others. Yet in a literal sense this imposition by an individual is impossible. There is no individual who can choose an institutionalized norm order. Somebody can, however, develop the desire that the order be of a certain form. What he believes to have good reason to desire is shaped by the contingent facts of his institutional experience. He may be induced to develop dispositions to choose in a certain way after such experience, and, liberal institutions may in fact instill values that support these dispositions which in turn support the liberal institutions.

Contrary to that a process of (ethical) preference formation based on given preferences, as in welfarist welfare economics, in all likelihood does not help at all to support liberal institutions. It is not generally true either that we need liberal values in the sense of philosophical liberalism (as explained here) to support a

³⁷ Again it should be no surprise that such dictatorship even over the value rankings of an individual as exerted by the value rankings of another individual will be infectious and lead to a clash if there are two dictators of the kind.

politically liberal normative order.³⁸ We need people who adopt an internal point of view (see Hart (1961)) to the norms of the *politically* liberal order and who support it by their norm abiding and norm enforcing behavior (for what reasons ever).

To make a long story short, in a literal sense and for trivial reasons only individuals make choices and are guided by values. We must acknowledge that, if we take the causal mechanisms under which we operate seriously. Once we do that the liberal paradox, though a real problem for some forms of *philosophical* attitudes towards forming welfare judgments, becomes irrelevant for choice making within established sets of institutional norms (which may or may not be liberal in the political sense). Philosophical liberalism is politically irrelevant. However, philosophically it is a potential source of confusion. If we start to confuse norms and values as in the mistaken evaluation-based rather than norm-based conceptualization of rights in the discussion of the liberal paradox we should not be astonished that collective confusion emerges though it has not been collectively chosen.

³⁸ It is presumably generally untrue.

6. References

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