

Schubert, Christian

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0517

**A Note on the Principle of
“Normative Individualism”**

by

Christian Schubert

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Max Planck Institute of Economics
Evolutionary Economics Group
Kahlaische Str. 10
07745 Jena, Germany
Fax: ++49-3641-686868

A Note on the Principle of “Normative Individualism”

Christian Schubert
Max-Planck-Institute of Economics
Evolutionary Economics Group
Kahlaische Strasse 10
D-07745 Jena
schubert@econ.mpg.de

Abstract

According to the principle of Normative Individualism, the evaluation of economic states and processes should be guided exclusively by the wishes of the individuals who are seen as the only bearer of values. Despite its intuitive appeal and its almost universal acceptance in normative economics (i.e., Welfare Economics as well as Constitutional Economics), the principle itself has received only scarce, mostly skeptical attention in the literature. It has even less been discussed from an explicitly evolutionary perspective on human preference formation processes. It is argued that it may be made compatible with such a perspective if it is transformed into a concept of “developmental individualism” that encompasses three sets of criteria, viz. preference-based, opportunity-based and distributive justice criteria.

Keywords: Normative Individualism; Normative Reasoning; Welfare Economics; Variable Preferences; Responsibility.

JEL Classification: B4, B52, D63, I3.

1. Introduction

The principle of *Normative Individualism* underlies much of normative economic theory, be it welfarist, contractarian, neo-pragmatist or originating in the Evolutionary Ethics camp. It is by far the most often cited and indeed the most influential normative principle in economics. Put most abstractly, the underlying concept of “individualism” can be defined as “a social theory or ideology which assigns a higher moral value to the individual than to the community or society, and which consequently advocates leaving individuals free to act as they think most conducive to their self-interest” (McPherson 1997: 790)¹. Note that normative economics has, as a rule, interpreted “the individual” as being represented by his or her bundle of “individual preferences”.

In *Welfare Economics*, Normative Individualism is mostly referred to, on a somewhat less abstract level, as the principle of “Consumer sovereignty” which means, according to an influential definition, “that all economic processes are ultimately focused toward satisfying the wants of the final consumer” (Rothenberg 1968: 327)². Modern welfare theory sees the satisfaction of individual preferences (that are assumed to have certain formal characteristics) as the supreme goal, reflecting a specific interpretation of Normative Individualism. In *Constitutional Economics*, the principle of Normative Individualism has been defined as the “assumption that the desirability and legitimacy of constitutional arrangements is to be judged in terms of the preferences of, and the voluntary agreement among, the individuals who live under (or are affected by) the arrangements” (Vanberg 2004: 154)³. The ontological basis of this assumption has been famously formulated by Buchanan (1960: 118): “[N]o ‘social’ values exist apart from individual values”. Hence, individual preferences alone provide the measuring rod that is needed in order to formulate normative statements on economic states and processes in general and policy measures in particular. It is not allowed to evaluate these preferences from some “external” perspective, i.e. in a paternalistic way.

While the principle, despite its almost universal acceptance in normative economics, has received very scarce analytical attention on its own (Penz 1986), it has

¹ see also Hayek (1949) and Schumpeter (1980: 3) who defines what he calls “political individualism” (distinguishing it from methodological individualism) as starting “from the general assumption that freedom, more than anything, contributes to the development of the individual and the well-being of society as a whole”.

² The term “Consumer Sovereignty” has originally been coined by William Hutt (1936: ch. 16), who defined the principle as implying “that the goodness or success of productive effort can be judged only in the light of consumers’ preferences” (Hutt, as quoted by Vanberg 2000: 265).

³ see also Buchanan (1991: 227).

been discussed even less from an explicitly evolutionary perspective that, *inter alia*, abandons the assumption of static preferences. It is still largely unclear, “what kinds of normative economics would be possible if conventional assumptions about preferences had to be given up” (Sugden 2004: 1015). As a result, “normative judgments on economic policy making in the presence of changing individual preferences have not yet been investigated” (Witt 2003: 91).⁴ This paper undertakes a first attempt to fill this lacuna. In particular, it tries to identify the analytical steps that seem to be necessary to modify the principle of Normative Individualism in such a way that it is not only plausible in light of positive insights into the evolutionary character of economic behavior, but also usable as a foundation of a (yet to be developed) normative branch within Evolutionary Economics, *i.e.*, a theory that helps to evaluate economic processes and economic novelty and the costs and benefits involved.

Obviously, the principle of Normative Individualism (which represents, of course, a value statement itself) is in need of (i) a sound, *i.e.* convincing justification and (b) some elaboration in order to make it useful and workable for normative reasoning within economics. These tasks appear to be particularly important given that the principle has time and again been criticized from very different angles: Most critics have stressed the fact that as a rule, preferences of real-world individuals are uninformed in many respects (see, *e.g.*, Scitovsky 1962). Accordingly, Hausman/McPherson (1994) point to the implausibility of accepting “irrational” (*i.e.*, in their parlance, not utility-maximizing) preferences as normatively relevant, *i.e.*, as representing a valid element of the set of preferences that Normative Individualism prescribes as guiding the evaluation of economic states and processes. Sen (1996) proposes to exclude “anti-social” (*e.g.*, racist) preferences, while according to Vanberg (1994), only preferences should count that have been revealed by choices that are made in a situation where alternatives were in fact available to the budget-constrained individual. Thaler/Sunstein (2003) argue that in light of Behavioral Economics’ insights into man’s cognitive limitations, public policy should not refrain from “manipulating” individual choices and, thus, individual preferences, as long as this does not reduce the utility of anyone affected. From a methodological viewpoint, van Aaken/ Hegmann (2002) stress the need to materially specify individual preferences, for otherwise the principle of Normative Individualism

⁴ *v.*Weizsäcker (2005) and Sugden (2004) may, however, be understood as contributions that take up some key insights of Evolutionary Economics and attempt to incorporate them into the principle of Normative Individualism.

would become normatively void and subject to the risk of ideological abuse. They show that individualists like Buchanan have indeed materially specified individuals' "constitutional preferences" in order to be able to derive policy conclusions, but have done so only implicitly. Ng (2003) can be seen as proposing some first steps towards an explicit specification, by drawing on insights from happiness research (see also Frey/Stutzer 2002). Finally, Knight (1924: 605) and Albert (1978; 1991) have rejected the principle altogether, pointing to the circularity problem caused by the fact that individual preferences are influenced by the very social processes that, according to the normative individualists, they should help to evaluate⁵. Goldschmidt/Remmele (2005), however, argue that positive economics has successfully solved the same methodological problem, when overcoming the traditionally narrow version of *Methodological Individualism* which ignored the dynamic interplay between individual behavior and the "social" factors that influence it (Agassi 1975; Arrow 1994); Normative Economics should, then, follow suit and look for similar solutions. Unfortunately, there is almost nothing offered in the literature beyond these programmatic appeals. The tasks outlined appear to be even trickier in light of recent evolutionary insights into the variable nature of individual preferences, the biological bases of preferences, and the way individuals learn new preferences.

The paper is organized as follows: Section 2 briefly sketches the theory of normative reasoning that underlies the substantial argument in the following sections 3 and 4. This meta-theory is inspired by the non-cognitivist moral philosophy of Critical Rationalism (see, e.g., Albert 1978: ch. 5; Pies 1993: ch. 1; Popper 1966a: ch. 5, Popper 1966b: 383ff.). Section 3 takes a closer look at the principle of Normative Individualism, its normative context and two recent attempts, by Weizsäcker (2005) and Sugden (2004), to adapt it to heterodox insights into preference formation processes. Section 4 discusses one possible way to reformulate the principle in order to make it compatible with an overall evolutionary perspective on economic behavior. Section 5 offers some (highly preliminary) conclusions.

⁵ cf., for instance, Knight (1924: 605): "Such desires as people have for goods and services are not their own in any original sense, but are the product of social influence of innumerable kinds and of every moral grade, largely manufactured by the competitive system itself."

2. You are leaving the positive sector: Our normative toolbox

The present paper attempts to outline the implications that some recent *positive* insights into the biological basis and cultural formation processes of human preferences may have for a reformulation of a *normative* principle. In order to do this, it is obviously necessary to rely on a meta-theoretical framework that specifies the relationship between positive and normative theory, the peculiarities of normative reasoning, and in particular the way “implications” can, if at all, be derived from the positive sphere for the normative one. Unfortunately, the underlying theory of normative reasoning is very rarely explicitly described in the literature that is of interest here, be it welfarist or contractarian. In what follows, a critical rationalist approach will be proposed which relies on a key (positive) insight into the way human beings develop their normative views in light of new positive knowledge. Due to its genuinely developmental and open-ended character, this approach may serve as a building block for a normative individualist principle that is compatible with an evolutionary perspective on the economy.

Normative or “ought”-statements are categorically different from positive or “is”-statements. This insight is at the basis of David Hume’s famous dictum that no normative statement can be logically deduced from exclusively positive premises. Technically, this insight derives from the logical impossibility of inductive conclusions: positive statements concern single events of the past, while normative statements claim to be universally valid in the future. A conclusion, though, cannot contain more than is included in its premises. He who tries to cross the divide between is and ought with logical means commits what has been later called (by Moore, in a slightly different context) the “naturalistic fallacy”.⁶

Which implications does this logical insight bear for the task of normative reasoning? There are widely conflicting views on this. On the one hand, it has been argued that genuinely scientific statements can only be developed at all within the sphere of purely positive theories. From this skepticist perspective, it is nothing but arbitrariness that reigns on the normative side of the is-ought-divide. Moreover, this position most often implies a strong value relativism in the sense of denying the

⁶ cf. Hume (1740/1978: Book III, part 1, ch. 1); for skeptical positions on this see, e.g., Wilson (1998: 249–251) and Putnam (2002: 28–45).

possibility of a method that allows to compare alternative normative statements as to their “quality”⁷. On the other hand, according to ethical cognitivism, normative statements can possess the same certitude and truth-value as positive ones, for in this view, there exist “moral facts” which can be identified analogously to positive facts.

Both polar views are rejected as implausible by the social philosophy of *Critical Rationalism* (Albert 1978, Popper 1966a, Popper 1966b). According to it, neither is it reasonable to assume that normative statements can be deduced from a cognitively accessible sphere of moral facts (and hence, can be true or false), nor does it make sense to conclude from this rejection of cognitivism that normative statements are purely arbitrary expressions of “tastes”.

What Critical Rationalism proposes in order to overcome the dichotomy between moral skepticism and cognitivism is inspired by two essential empirical observations. First, most real-world individuals who formulate normative statements do not actually interpret them as being analogous to expressions of pure subjective tastes, but rather as implying a claim to inter-subjective validity. Most often, they want other individuals to be *persuaded* or *convinced* by them. Second, when they form or modify their normative views, most real-world individuals are influenced, to a variable degree, by their subjective knowledge on positive facts. When the latter changes, this often triggers some adaptations of the former⁸. Moreover, to allow for at least some adaptation of normative views in light of new positive knowledge is widely regarded as “reasonable”, i.e. normatively desired (Albert 1991: 203). This attitude towards other peoples’ willingness to abstain from a perfectly dogmatic position in light of changing circumstances may be seen as an institutional rule, the compliance of which is normatively expected. There is, however, yet another regularity (discussed, among others, by discourse theorists such as Habermas 1990) to be observed when real-world individuals develop their normative views. When arguing with others about alternative normative statements, most real-world individuals consciously or unconsciously follow

⁷ Note that “quality” here means something different than in positive science. While there, it could refer to the robustness of a scientific hypothesis against attempts to falsify it, in the sphere of normative reasoning it may mean a statement’s “plausibility” in light of the temporary results of employing the tools of normative reasoning that will be briefly described in the remainder of this section. On the critical rationalist anti-relativism see Popper (1966b: 384–388).

⁸ see Buchanan/Vanberg’s (1994) proposition to distinguish between (positive) constitutional theories and (normative) constitutional interests as the key factors that enter the individual preference formation process. They, too, argue that in real-world collective decision-making processes the former most often influences the latter, at least to some degree.

a basic discursive rule, according to which that claim is the more plausible, the more the underlying normative statement is perceived as having been developed from an ideal perspective of *impartiality*. Again, there does seem to exist an institutional rule that guides preference formation processes. Hence, from the viewpoint of the individuals concerned, normative statements are viewed as possessing a *variable degree of quality*, i.e., they can be more or less well-founded⁹. These observations point to the idea that there must be *more* to them than being mere expressions of arbitrarily formed tastes – even if there is admittedly *less* to them than ethical cognitivism suggests.

Note again that if it succeeds in identifying a general methodology to rationally discuss alternative normative statements (i.e. to “rationalize” the widely held intuitive, pre-theoretical views about how to argue about normative statements, described above), the meta-theoretical viewpoint taken here could plausibly reject at least the strong version of moral relativism, according to which there does not exist any universally valid method whatsoever to develop meaningful and justified judgments about competing normative claims (i.e., claims that may for instance have been developed in different cultural contexts). But how can alternative normative statements be rationally discussed, criticized and compared?

According to the moral philosophy of Critical Rationalism, normative reasoning’s main tools can be gained by analyzing the internal structure of normative statements. In principle, normative statements contain at least one positive “component”, i.e., they are based on at least one underlying, often implicit, factual hypothesis. This component can be rationally examined and criticized in a value-free way, thereby opening the way toward a rational discussion of the normative statement itself. Apart from this positive component, normative statements are also always based on one or several more abstract normative principles. This insight points to a second option to examine them, namely, by testing the consistency between the normative statement itself and the (allegedly) underlying abstract principle. Moreover, this underlying principle itself can of course again be examined in the same way as a simple normative statement – i.e., by investigating its positive component (or components) and its underlying, even more abstract, principle (or principles).

⁹ Note that this does not necessarily apply for the most fundamental value statements people may hold; for the practical purposes of Normative Economics, however, these most basic and arguably most controversial statements are mostly not relevant.

Third and finally, a given normative statement can be examined as to its compatibility with those moral intuitions and institutional rules that govern the individuals' behavior, particularly their voting behavior when they are to decide on constitutional issues. Analyzing the origin and content of these intuitions and norms is of course a task of, *inter alia*, positive economics.¹⁰ Note that this advice has to be handled with care: Insights from economics, evolutionary biology or moral psychology into the determinants of moral behavior cannot *per se* establish any claim to normative validity. Philosophy and empirical science ask fundamentally different questions about morality (Dworkin 1998).

Hence, there are essentially three tools available to examine the plausibility of alternative normative statements. By using these tools, we may arrive at well-founded judgments on the quality of those normative statements (about, e.g., appropriate policy goals) that have been proposed by mainstream welfare or social contract theory. From the viewpoint of the present paper, the investigation into the quality of their positive components ought, of course, to be informed by insights of Evolutionary Economics into the nature and determinants of economic behavior and economic processes. The discussion of the plausibility of underlying, more abstract normative principles, such as the principle of Normative Individualism may also be informed by those insights. Note, though, that the tools described serve only to scientifically examine parts of the internal elements of a given normative statements; there will always be an evaluative residual that is not subject to rational discussion. We have thus reached a middle ground between seeing normative statements as totally arbitrary and as perfectly reducible to single elements that can be examined in a value-free way.

To be sure, what can be achieved by the critical discussion of alternative normative statements are hypotheses of the form "Given what we (hypothetically) know so far about the positive nature of economic behavior, policy goal X or principle Y is more plausible than policy goal X' or principle Y'." Since no (positive or normative) statement can ever be perfectly justified in the sense of the "principle of sufficient reason" (Popper 1966b: 369ff.), the scientific status of the results of normative reasoning are of conjectural character only. Put differently, since no rock-solid *logical*

¹⁰ In light of critical rationalism, a society's prevailing institutions should not only count as a valid touchstone of normative statements – the development of any moral (or, for that matter, social) philosophy should also explicitly take into account insights into the moral intuitions and motivations of man. This is a meta-theoretical advice that aims at preventing moral and social philosophy from losing contact to what determines the moral attitudes and constitutional preferences of real individuals.

bridge can bring us from the sphere of factual statements to normative territory, we have to take weaker *methodological* bridges¹¹. This softens the status of the results of our theoretical efforts. Hence, this methodology of normative reasoning avoids Hume's naturalistic fallacy in that no logical conclusions are drawn from the sphere of factuality alone to the sphere of normativity. Hence, positive theoretical insights are not sufficient to resolve normative disputes – but they can at least help to clarify the discussion, to influence the preferences of participants of the constitutional discourse, and to establish convincing claims about the quality of alternative normative statements. These claims are then formulated as propositions about the quality of alternative means, goals and principles, to be delivered to the individuals (as citizen-voters) or their elected representatives. Note that this latter procedure (it's the citizens who decide in the end) is not to be understood as a normative rule deriving from the principle of Normative Individualism itself (this of course would result in circular reasoning), but as simply reflecting the constitutional reality of democratic societies. The propositions put forward are hypothetical in the sense of being contingent on the (temporary) state of positive knowledge, *not* in the sense of containing exclusively positive-instrumentalist statements that take some externally formulated goal as given. For as we have seen, it is possible to rationally discuss the comparative quality of alternative normative statements (i.e., inter alia, goals) and to develop non-arbitrary propositions about goals as well as about pure means. From the perspective of Critical Rationalism, there is scope for a genuine *normative* economic theory beyond pure uncritical instrumentalism.

To sum up, Critical Rationalism offers a toolbox of normative reasoning that

- contains several methods to rationally discuss alternative normative statements: by examining their positive component(s), their alleged consistency with more abstract normative principles or their compatibility with widely held moral intuitions;
- thus opening up the possibility of a genuine normative branch within (Evolutionary) Economics, that goes beyond pure instrumentalism and that avoids a strong relativistic position (in the “methodological” sense described above);
- the methodological status of the results of normative reasoning is hypothetical only;

¹¹ Logic can only play a role when the participants at the normative discourse have not only agreed upon facts, but also upon at least one (“basic”) *normative* statement, for “[g]ranted that an *ought* cannot be derived from an *is*, it is still possible to derive an *ought* from an *is* in conjunction with another *ought*” (Schlicht 1998: 290, emphasis in the original).

- and their practical status is to be mere propositions that are delivered to the citizens who decide (directly or indirectly, through their representatives) about their adoption.

3. The Construction Site of Normative Individualism

The present paper tries to investigate the question how the principle of Normative Individualism can be redefined and understood from an evolutionary perspective. *Prima facie*, it appears to be impossible for an evolutionary economist to accept this principle, for her key assumption of endogenously changing preferences seems to contradict any workable or even logically valid version of the principle. On the other hand, the prospect to identify some universal material contents of human preferences seems to open up the possibility to significantly enrich any normative individualist position. Besides, the traditional evolutionary focus on human creativity and endeavor and about the key role of human cognitive learning and purposeful conduct in cultural evolution seem to suggest an individualist position rather than, say, a holistic one. Thus, it seems to make sense to not abandon the principle altogether, but rather to explore its scope for adaptation in light of evolutionary insights.

First of all, we have to be clear about what evolutionary insights play a role here. First of all, the evolutionary perspective implies the assumption of endogenous preference change in the following sense: based on a set of universal, biologically determined basic wants, individuals acquire, through associative (operant conditioning) and cognitive learning, new wants (Witt 2000; Witt 2001). In the course of a lifetime, a complex hierarchy of highly idiosyncratic preferences emerges thereby. Preference formation processes are highly dependent on interpersonal communication processes, i.e. they are subject to interpersonal influences. Moreover, in the course of cultural evolution, preferences for “tools” that satisfy wants in an indirect way become ever more important; since the demand for tools themselves is never satiated, satiation is thereby being deferred. Second, there is no reason to assume that the set of individual preferences is in any sense “complete”, “coherent” or that the preference formation processes are based on perfect information on, say, consumption technologies. From an evolutionary point of view, these pet assumptions of welfare theory have to be abandoned sooner or later.

In order to see how a plausibly redefined principle of Normative Individualism looks like from an evolutionary point of view, the principle itself has to be put into perspective. It is, first, based on an even more abstract, socio-philosophical principle of human *autonomy*, which is itself open for interpretation. Thus, autonomy may, for instance, either refer to the capability of the single human being to develop his own preferences independently of any external influences; or it could refer to the capability of the human being to learn from experiences, either own ones or those of others, i.e. to learn by observing others and by interacting and communicating with them, thereby further developing his preferences¹².

On the other hand, in order to be made workable, the principle needs to be operationalized by way of, first, choosing a variable that represents the “interests” of the autonomous individual (e.g., her preferences) and, second, introducing assumptions about the exact technical nature of this variable. In Welfare Economics, the first question is answered by assuming that each individual is the best judge of her own interests and determinants of well-being, and that those individual judgments are best represented by her preferences, as they are revealed by, e.g., observable choices in the marketplace. This way of thinking may be dubbed an *epistemic* justification for the preference-based version of Normative Individualism. Answers to the second question include in particular assumptions about the way preferences change (if at all) and their material content. As is well known, orthodox Welfare Economics assumes not only static, but also complete, reflexive and transitive preferences in order to guarantee a consistent set of preference orderings which allows for a stable ranking of alternative economic states. Any two states or, for that matter, commodity sets are then comparable with each other. Constitutional Economics, too, assumes static preferences as well as perfect action knowledge (“beliefs”).

We have thus outlined three levels of abstraction¹³. We could split the operationalization level into two separate levels, in order to clearly demarcate the distinction between preference- and other variable-based versions of Normative Individualism on the one hand (level 3) and more “technical” refinements on the other hand (level 4). Note that in our parlance, the notion of “Consumer Sovereignty” only

¹² Hayek (1949: 9) seems to come close to this position when he interprets “true individualism” as regarding “man not as highly rational and intelligent but as a very irrational and fallible being, whose individual errors are corrected only in the course of a social process, and which aims at making the best of a very imperfect material.” Cf. also Mill (1859/1989: ch. 3).

¹³ see Vanberg (2005) for a similar differentiation.

serves to indicate the field of application of Normative Individualism. A distinct, less often examined, field, namely that of collective decision-making procedures could be referred to by the term “Voter Sovereignty”. Then we get the following structure.

4	The principle, operationalized	e.g., Consumer Sovereignty <i>cum</i> assumptions about the nature of individual preferences (e.g.: static? complete/reflexive/transitive? are there meta preferences?)
3	the principle, given a first flavor	Preference-based NI, individual freedom (“opportunity”)-based NI (both may be called “Consumer sovereignty”); Voter sovereignty, etc.
2	the “core” principle itself	Normative Individualism (NI)
1	Most abstract, socio-philosophical premises	“individualism”, “human autonomy”

Table 1: the principle in its normative context

In order to examine the possibility to change these traditional assumptions (located on level 4 in table 1) in an “evolutionary” sense and to develop a modified version of Normative Individualism, it may be useful to discuss two recent contributions by Weizsäcker (2005) and Sugden (2004) that have started to examine the implications of introducing heterodox assumptions about economic preferences into welfare theory. While Weizsäcker studies (a certain version of) variable preferences, Sugden explores incoherent preferences and overcomes the preference satisfaction focus of orthodox welfare theory (i.e., changes direction on level 3).

Weizsäcker: Adaptive Preferences and Lucky Hans

Weizsäcker (2005) shows that it is possible to introduce a certain, not wholly implausible version of variable preferences, viz. the assumption of reference-dependent “adaptive preferences” (first proposed by Elster 1982) into welfare theory in such a way that it is still possible to identify consumption paths which imply an “improvement” of the individual’s welfare over time, thus allowing to maintain a concept of “economic progress”. His improvement concept allows to evaluate different consumption paths that

do not share the same preferences. The assumption of adaptive preferences means that tastes $q(x)$ are dependent on the state (the goods vector) x the individual is confronted with. If under preferences $q(x')$ the individual prefers vector x^* to x' , then under preferences $p(x^*)$ the vector x^* will also be preferred to x' . It is possible, though, that under $q(x')$ vector x' is preferred, but that under $p(x^*)$ the individual would prefer x^* , i.e., that individuals adapt their preferences to the actually realized state of the world. For instance, people tend to discount things that they understand are unable to obtain (Elster's "sour grapes" phenomenon). In order to overcome the obvious circularity problem involved here, an inter-temporal model is called for. Weizsäcker shows that it is possible to formulate precise "laws of motion" of preferences with non-circular improvement paths, i.e. when preferences adapt to the actually realized state of the world, there is a subset of preference movements that induces improvements in experienced utility (because, for instance, induced preference changes discount former consumption vectors relative to the new vector). Hence, Weizsäcker has to rule out the possibility that "change" is positively valued *per se*. In particular, he has to rule out circular preference paths as exemplified in the Grimm brothers' "Lucky Hans" ("Hans im Glück") story where the protagonist gets paid a gold nugget for seven years of work, exchanges this for a horse, this for a cow, this for pig, this for a goose and ends up with some stones, albeit as a subjectively quite happy person¹⁴. Furthermore, Weizsäcker assumes that with a constant budget constraint, preference changes always indicate an improvement path. With non-circular adaptive preferences thus defined, it can be shown that the space of commodity vectors of an economy can be completely ordered.

Note that what Weizsäcker does it to introduce a certain concept of a meta-ranking. People who modify their own preferences according to the circumstances still have a stable higher-level preference according to which they prefer consumption paths leading to increases in living standards over alternative paths. In welfare theoretic terms, these are "extended preferences", i.e. preferences between different histories (Harsanyi 1955). The meta-ranking idea can be considered to be welfare theory's classic answer to the problem of variable day-to-day preferences. Only a (hypothetically defined) meta preference is seen as normatively relevant, while actually observable, subjective "lower" preferences are discarded. In order to analyze the plausibility of this approach, all the tools of our normative toolbox, introduced in section 2, may be used here; first ,

¹⁴ cf. Grimm/Grimm (1815/1986).

we may examine the consistency of such an approach with the concept of Consumer Sovereignty or with the even more abstract principles of Normative Individualism and autonomy, properly specified. Second, we may ask ourselves if the approach, its assumptions and its implications are compatible with our moral common sense: Would we accept to discard a circular “Lucky Hans” preference path as lacking any normative relevance? This idea certainly conflicts with the moral intuitions that at least some individuals have about the intrinsic value of individual freedom of choice. Thirdly, we can of course explore the positive assumptions that enter Weizsäcker’s approach. For instance, his account of preference change is quite narrow, given what we already know about the way individuals learn new preferences in the course of cultural socialization and communication processes. Weizsäcker does not offer any naturalistic rationales for his theory of preference change; instead, there are some quite sketchy hints to recent experimental evidence.

Sugden: From Preferences to Opportunities

Sugden (2004) attempts to develop a version of Consumer Sovereignty that is compatible with abandoning the orthodox assumption of coherent preferences. His approach is more general than Weizsäcker’s, in that the latter’s reference-dependent preferences are only one subset of incoherent preference orderings. Moreover, Sugden refrains from introducing normative distinctions between different subsets of preference paths, thereby conceding normative weight to Lucky Hans’ preference paths. He can allow this, though, only by abandoning the preference satisfaction focus of traditional versions of Normative Individualism (or Consumer Sovereignty) in favor of a focus on the number of *opportunities* that individuals have at their disposal in an economic system (see also Sartorius 2001). This comes close to procedural versions of Normative Individualism, inspired by Kantian philosophy, that have been proposed in Constitutional Economics (Vanberg 1994) and heterodox welfare theory (Sen 1992; Arrow 1995). The underlying normative intuition is the following: “It is good that each person is free to get what she wants, in so far as this is possible within the constraints imposed by other people’s free to get what they want” (Sugden 2004: 1016).

Hence, in Sugden’s approach, preference satisfaction no longer serves as a measure for individual well-being. This requires a shift of perspective on a quite abstract level:

Contrary to the position widely held in Welfare Economics to effectively *identify* a person with her preference ordering (which implies that her identity erodes when incoherent preferences are allowed), Sugden proposes to identify her with a *sense of responsibility* for her past as well as her future actions, thus seeing the individual as “a continuing locus of responsibility”. This shift again has a strong Kantian flavor. It changes in a fundamental way the normative perspective on “irrational” preference changes that are due, e.g., to framing or endowment effects.

Again, we may very briefly examine this approach with our critical-rationalist toolbox. To start with the question if Sugden’s version of Consumer Sovereignty is compatible with the principles of Normative Individualism or human autonomy, plausibly defined, this seems to be certain *prima facie*. For he does not need to rely on some meta-ranking that is unavoidably imposed on the individual by the scientific observer. Rather, he simply grants normative relevance to all conceivable individual preference paths. If we understand individualism as “consequently [advocating] leaving individuals free to act as they think most conducive to their self-interest” (McPherson 1997: 790), then the opportunity criterion seems to be a convenient way of expressing this very basic idea of autonomy. However, Sugden is forced to impose a “paternalistic” role model on the individuals, which implies the following ban: “A person who identifies with her future actions will not want to impose external constraints on her future choices as a way of forcing those choices to match her current conception of what is good for her” (Sugden 2004: 1018). Related to this, any increase in an individual’s lifetime opportunity is to be judged good for her “in an unambiguous sense” (*ibid.*), even if this increase does correspond to decreasing real income. It is at least worth asking if this position can easily be made compatible with widely held normative convictions; real-world individuals may put a high value on the freedom to choose, thereby enjoying procedural utility (Frey et al. 2004), but it seems to be implausible to assume this value to be as high as to trump all other considerations. Moreover, the exclusive value put on opportunities corresponds to a view, widely held (at least implicitly) among Evolutionary Economics scholars, that variation is “good” *per se*, i.e. a normatively plausible maximand. History teaches us, though, that this is not necessarily the case; variation almost always entails benefits and costs. A normative theory that is workable for Evolutionary Economics would need to be able to identify a

favorable balance between them – it is unlikely that an approach that confers value exclusively to opportunities qualifies for that.

As regards the positive components of Sugden's approach, it suffers from the same lack of naturalistic foundations as Weizsäcker's. Due to its radical shift away from a preference-based version of Normative Individualism, his approach can, however, easily accommodate a wide range of evolutionary theories of preference change. On the other hand, these positive insights will not make any difference to the normative implications (as long as they share the conclusion that preferences are incoherent, to be sure). It seems that abandoning the preference-based version of Normative Individualism, Sugden has capitulated too prematurely.

What is, then, the preliminary result of our visit to the latest works at the construction site of Normative Individualism? This will be sketched in the following section.

4. Towards a modified principle

When we try to incorporate positive “evolutionary” insights about individual preferences into normative economics, be it about the way they change or their internal incoherence, there are in principle two alternative strategies. Either the set of possible preference paths is left completely unconstrained – then, in order to still maintain the capacity to derive normative conclusions, preferences have to lose their normative weight altogether, and alternative concepts such as “opportunities” enter the stage. Or the set of possible preference dynamics is constrained (ideally on normative grounds that are consistent with positive economic theory) – then it appears to be possible, under certain conditions, to maintain a preference-based welfare theory, i.e. to confine oneself to minor reconstructions of welfare theory's architecture.

While the former strategy runs into normative implausibility problems in its own right, the latter relies on a problematic meta preference concept. What kind of Normative Individualism, then, would an evolutionary perspective on human preference formation imply? Note again that no “implication” of any logical validity is meant here, but only the examination of plausibilities in light of positive knowledge.

First of all, a convincing case can be made that the fact that human desires are not only (in a static perspective) *not* necessarily utility-maximizing, but that they are learnt

and, at least to a large degree, subject to variable cultural influences makes it implausible to accord them the exclusive role as the ultimate measuring rod for the evaluation of economic states and processes and, thus, for policy measures. At the same time, the cultural conditioning of human preference formation does not go as far as eliminating the scope for genuine human autonomy altogether (see Witt 2000: 16f., FN 21); this cannot be accepted as a sufficient reason to wholly abandon individualistic premises.

As has been repeatedly stressed above, positive insights do not allow to logically deduce normative conclusions. There are however “methodological” bridges that permit us to discriminate between alternative normative statements. In the case of evolutionary insights into the cultural conditioning of individual preferences, this kind of bridge-crossing can be described as follows. If human preference formation is based on individual autonomy as well as on interaction with others, i.e., on the dynamic interplay between these two levels, then it makes sense to look for institutional rules that guide this interplay. There are indeed such rules which have, to be sure, only empirical validity. One aspect of this interplay concerns the phenomenon that individuals may have formed preferences on some matter, after which they find themselves confronted with objections by others. As regards this situation, there are widely observable, behaviorally relevant institutional rules that prescribe the way individuals should not react to objections; namely, they should, as a rule, not act according to a rule that objections of any kind should be totally ignored. Albert (1991: 203) puts it as follows (note the “bridge-crossing” which is indicated by italics): “He who immunizes his will against possible objections ... acts as non-rationally as the dogmatist in the epistemic sphere. For between (positive) cognition and (normative) decision-making ... there is a close relationship. If this is valid for all individuals, the *there is no reason for a critical social philosophy to regard the revealed volitions...of the individuals as sacrosanct* and to insulate them from a critical examination. This does not mean...that [these revealed volitions] should be disregarded in the process of constructing institutional safeguards for the regulation of social life. It mean only that it [is] problematic to truncate the justificatory regress dogmatically at this point.”¹⁵

¹⁵ my italics; my translation of: „Wer seinen Willen gegen mögliche Einwände ... immunisiert, handelt ebensowenig rational wie der Dogmatiker in der Erkenntnisphäre, und zwar unter anderem deshalb, weil zwischen [positiver] Erkenntnis und [normativen] Entscheidungen ... enge Beziehungen bestehen. Wenn das für alle Individuen gilt, gibt es für eine kritische Sozialphilosophie keinen Grund, die

A first conclusion can then be drawn. It appears plausible to interpret Normative Individualism as a principle that allows for a minimum degree of critical *distance* between the “sovereign” individuals and their own manifest preferences. While in its orthodox versions, Normative Individualism bans “external” evaluations of individual preferences, “internal” evaluations should arguably not only be allowed but explicitly be furthered. It is at this point that the idea of holding individuals *responsible* for their behavior and the variables that influence it, introduced by Sugden in a slightly different context (see above) may fruitfully be introduced as a legitimizing concept.

While a criticist position towards individual preferences seems to be called for in general, it is also plausible to abandon the exclusive focus on preferences (critically examined, as they may be) and to allow for a combination of preference- and opportunity-based individualism. Since, as we have seen, opportunities to choose cannot be regarded as “good” or “desirable” per se, it is improbable that an exclusive focus on them (in, e.g., Sugden’s footsteps) would pass our normative reasoning tests. A combination of opportunity and preference satisfaction criteria could be based on the following versions of the two main elements. Opportunities should arguably be understood as “opportunities to learn” (in whose evaluation possible effects on individual well-being should play no role), while the meaning of preference satisfaction should undergo some modifications of the following manner.

First, the concept should allow for using insights into the (genetically based, hence universally shared) core material contents of human preferences and, relatedly, about the multi-dimensional utility of human actions when (i) deciding about which preferences should be accorded normative relevance, (ii) examining the plausibility of policy goals and (iii) examining the alternative strategies to operationalize these policy goals. The latter point concerns, e.g., the refinement of approaches such as Sen’s capabilities concept (Sen 1992) or Rawls’ “social primary goods” concept (Rawls 1982). Second, the principle should allow for using insights into the dynamics of preference formation processes when assessing the impact of current (e.g., innovation) policies on future preferences and future living conditions. In this context, insights into the determinants of risk and time preferences may play an important role, too. Note,

Willenskundgebungen ... der Individuen als sakrosankt anzusehen und sie der kritischen Durchleuchtung zu entziehen. Das bedeutet ... keineswegs, daß man auf [diese Willenskundgebungen] bei der Konstruktion institutioneller Vorkehrungen für die Regulierung des sozialen Lebens ... keine Rücksicht zu nehmen hätte. Es bedeutet nur, daß der dogmatische Abbruch des Rechtfertigungsregresses an dieser Stelle ... problematisch [ist].”

however, that from an evolutionary perspective, there are fundamental epistemic limits to be taken into account, when we hypothesize about how future preferences develop: Strictly speaking, the basis for being able to evaluate if alternative socio-economic states or processes are “good” or “bad” in terms of individual well-being does not exist independently of the individual action itself that is supposed to be guided by the expectation about the “goodness” of the socio-economic states or processes. This problem is at the basis of Buchanan’s (1991: 225f.) rejection of the orthodox epistemic justification for Normative Individualism according to which individual preferences, as reflected in observable choices, should count as the ultimate measuring rod because it is the individuals themselves who know best about their individual preferences. According to Buchanan, there is however no basis for evaluating (i.e., for forming preferences about) alternative actions that is itself *independent* of these actions¹⁶.

When criticizing Sugden’s opportunity focus, we have already hinted at the problem that economic variation cannot plausibly be regarded as “desirable” per se. It rather tends to involve distributional effects that a subset of the individuals affected perceive as undesirable. From an individualistic perspective, these perceptions have either to be qualified as normatively relevant or else the refusal to do so should be explicitly justified. Since the latter strategy seems to be, on the whole, implausible, there is clearly a need for a set of criteria in order to evaluate alternative distributional effects. We do not need to delve into the question where such a set of criteria might come from (see Cordes/Schubert 2005), but only to state that the “evolutionary individualism” we are about to sketch seems to need a third pillar, viz. a concept of distributive (i.e., outcome-oriented, non-procedural) justice (Sartorius 2001). The moral intuition underlying this claim (in the sense of restricting the scope of the preference-based element) could also be phrased as follows: “[I]f, on the one hand, some members of human society are prevented from even satisfying their basic innate wants to a level of physical survival while, on the other hand, other members...drive the refinement of wants to ever more sophisticated levels simply to escape from satiation, then our moral feelings are likely to tell us that there may be something wrong” (Witt 2000: 19).

A conceptual framework that could help to integrate these three pillars (preferences, opportunities, distributive justice criteria) into one coherent whole may be constructed following John Stuart Mill’s (1859/1989: ch. 3), unfortunately rather brief, remarks on a

¹⁶ on this, see also Hegmann (1998: 265f.).

“developmental” interpretation of individualism. Inspired by Wilhelm v. Humboldt’s liberal philosophy¹⁷, Mill (ibid.: 58, 63) argues that “it is the privilege and proper condition of a human being, arrived at the maturity of his faculties, to use and interpret experience in his own way. It is for him to find out what part of recorded experience is properly applicable to his own circumstances and character... It is not by wearing down into uniformity all that is individual in themselves, but by cultivating it and calling it forth, within the limits imposed by the rights and interests of others, that human beings become a noble and beautiful object of contemplation”.¹⁸ To apply a version of “developmental individualism” as a principle that is most plausibly connecting the fundamental premise of autonomy (level 1 in table 1, above), defined in terms of individual *responsibility* for one’s own preferences and behavior, with the three elementary pillars outlined above (located on level 3 in table 1) would mean to orient the foundation of a normative branch within Evolutionary Economics in a way that stresses the dynamic character of human preferences, opportunities and value judgments on distributive justice. In that respect, it could serve as a useful heuristic device.

The key implication of this version of Normative Individualism appears to be that public policy should not restrain and, better yet, actively further the chances of individuals to learn about new things. This variable includes new preferences¹⁹, new opportunities as well as new criteria of distributive justice. Hence, neither of these three notions can be employed on that level of abstraction. We could instead argue that the supreme goal concerns the chances of individuals to learn about new *problem solutions*, be they represented by preferences, opportunities, institutions or whatever. On a more practical level, policy implications could conceivably concern the design of public deliberation processes, constitutional rules on systems’ competition and the like. These procedural devices could contribute to the development of “enlightened, far-sighted and educated preferences” which are seen as a valuable goal also in the realm of Constitutional Economics (Vanberg 2005; Vanberg 2006). Many difficult conceptual

¹⁷ According to v. Humboldt, “the end of man, or that which is prescribed by eternal or immutable dictates of reason, and not suggested by vague and transient desires, is the highest and most harmonious development of his powers to a complete and consistent whole” (quoted by Mill, ibid.: 58). Note that the evidently cognitivist *justification* (or origin) of v.Humboldt’s values is, of course, not compatible with the non-cognitivist orientation of our critical-rationalist toolbox. This has no effect, however, on the usefulness of his ideas as such.

¹⁸ Note that similar normative ideas have been expressed by Hayek (1949) and Scitovsky (1976).

¹⁹ cf. Scitovsky’s remarks about the “educative” role market economies play in giving “those with informed tastes a chance to set an example to the rest of the community“ (Scitovsky 1962: 265).

issues remain to be solved, of course. It is, for instance, unclear how a developmental-individualist position on a “libertarian paternalism” (Thaler/Sunstein 2003) could reasonably look like, i.e. a public policy that influences individual choice behavior by applying cognitive economics’ insights on, e.g., framing effects²⁰, and if Scitovsky’s intuition about restricting private firms’ attempts to do just this should be endorsed (Scitovsky 1962: 268). While the advancement of positive individual consumer knowledge may also increase individual well-being (Bianchi 2003), it is unclear if the same holds true for the advancement of “normative knowledge”, that can be learned just as well as positive knowledge (Popper 1966b: 386, 390). The quest for a principle of Normative Economics that looks reasonable from the vantage point of evolutionary economists is just about to start.

5. Concluding Remarks

The present paper has tried to sketch the general direction that a modification of the principle of Normative Individualism might take if it is to be made compatible with an evolutionary perspective on human preferences. After endowing ourselves with a normative toolbox, we have briefly discussed recent proposals by Weizsäcker and Sugden who pursue quite different strategies to incorporate positive “evolutionary” insights into the dynamics of human preference into normative economics. As an (admittedly still largely under-specified) alternative we have proposed to borrow Mill’s idea of a “developmental individualism” that may serve as a conceptual framework, integrating three sets of normative criteria that should plausibly be taken into account when evolutionary economists evaluate socio-economic states and processes on an individualistic basis.

²⁰ Public policies that try to stimulate organ donations by modifying default rules are another example (see Johnson/Goldstein 2003).

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