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PROCEEDINGS

of the

WESTERN FARM ECONOMICS ASSOCIATION

Twelfth Annual Meeting

June 14, 15, and 16, 1939

University of California

Berkeley, California

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The subject of your conference is one which can produce unlimited light, and possibly superabundant heat. One reason for this is that you may talk several different languages to one another. In few fields of economics does our language have more varied or indefinite meanings than in that of welfare. Here is where ethical and economic concepts coalesce in such confusing variety as to defy precise definition. It is in the realm where we freely attempt to judge for the other fellow, and so we confidently and implicitly act as though we know what is in the interest of his welfare. With this same spirit in mind I have selected, from the unlimited scope of topics provided by my subject, "Government and General Welfare," a few elementary observations which seemed to others might be in the interest of your welfare for the remainder of our deliberations here.

The ultimate purpose of government, at least in a democracy such as ours, is to enlarge by state and private action the welfare of individuals. It is this objective, consciously or unconsciously dominated the thought of those who laid the foundations of the American political system and formulated the framework of our economic system. Today the promotion of general welfare is conceived of as the welfare of the individuals composing the group, and is as earnestly desired, nor indeed are the alternative means any more numerous or more difficult than in the days of our national infancy.

The most honest and sincere opinions as to the best general means of promoting general welfare are of all range from anarchy to centralized collectivism. Near the center of this range are the conflicting views of the vast majority -- the practical views of practical current importance. Problems of the days are selected, programs are formulated, debated, and accepted or rejected on the basis of this central but divergent range of opinion. It is this opinion which predominates governmental policy. The more extreme views may produce excitement, and some fear, but as a rule they have little real effect on policy.

At least two opposing views as to the best means of promoting general welfare are currently influential. One is the notion that increased governmental control and the enlargement of governmental functions is desirable because of organization changes and the increasing complexity and interdependence of our economic and social life. The opposing view is that the expansion of governmental regulation and activities has gone far enough and is now too far, for either the maximum economic or general welfare. This is not new, nor will the difference be resolved here at these meetings. Economists nor a corps of assorted social scientists together can in the present state of knowledge hope to resolve the issue to the satisfaction of themselves much less the electorate.

In the United States following the War there was a wave of popular opinion in favor of limited governmental regulation as a principle of governmental action. Changed economic and social conditions during the period of depression and uncertainty shattered popular faith in this view. The dominant opinion in favor of governmental action to meet critical welfare needs has since that time shifted; a desire for governmental action to meet critical welfare

blems arose; and those favoring increased governmental control were swept into political office. Notwithstanding this experience we still have no adequate basis for determining whether broad or restricted governmental functions effectively increase general welfare. The problem of promoting welfare is not this simple. It is not a question of more or less government, but of specific objectives, methods, and policies. Hence it is the welfare aspects of alternative governmental policies and activities which mainly require scrutiny, not the scope of governmental functions, number of employers, or number of statutes passed. Intelligent choice among alternative governmental policies will remain the crux of man's problem to improve his welfare by collective effort.

Thus, while the broader controversy between conflicting views as to the proper scope and functions of government continues, proposed and adopted governmental policies affecting the general welfare must be judged. These policies pose questions which cannot long await answers, for to reject a proposed policy is to take a stand as surely as to approve it. On complex issues, therefore, one often seeks retreat unsuccessfully in supposedly impartial decision, hoping that those having more at stake may decide the issue wisely. A procedure is usually a vain hope when those with most to gain are most zealous among the electorate and representatives and when sometimes they are the judges of policy.

What constitutes a wise decision, and by what criteria an issue is to be judged wise or unwise, are matters of crucial importance. But the answers to these questions are not readily at hand. To find them, one naturally looks to the social scientist. Yet because of divergent ethical standards and scales of social values the typical social scientist is rarely equal to the complicated task, and the necessary standards, principles, and techniques have yet to be developed. The whole task of formulating, analyzing and judging policy requires in the words of Davis a new "profession of economic engineers and engineers to supplement our economic researchers, technicians, and planners." ¹ Given specific objectives we need a profession to outline the alternative methods of reaching our goals and we need to know the probable consequences and costs of such alternative methods as a basis for evaluation and choice. But first we need the basic knowledge and techniques for such a profession.

So tonight in the pressing need for criteria, methods and tools of analysis in order that we may better trace the consequences and costs of alternative policies, I shall offer a few considerations which I hope may be of some assistance in clarifying issues. If in the considerations presented you find reminders to avoid occasional mistakes of oversight and as a consequence you achieve a broader view of the problems with which you deal, my suggestions will serve their purpose.

Careful examination of the functions and policies of government will show that they are intended fundamentally to promote general welfare in the sense of that term. Even in totalitarian states, where the state is emphasized as all important and the individual unimportant, the purpose is to promote a type of general welfare believed to be worth striving for.

¹ Davis, J. S. On agricultural policy, 1926-1938. Stanford University Press. p. 432. 1938.

is concept of general welfare, however, but that found in democracy I wish to discuss tonight.

Only democratic countries the welfare of individuals is regarded and the welfare of the state per se, is merely a means to that end. Policies designed to strengthen and perpetuate orderly government, are initially to promote the "general welfare" of the organized state. This is an intermediate end which in the broader view becomes the ultimate welfare of the governed. The test to which all policies should be put, then, is whether or not they ultimately promote general

What is the general welfare? Whose welfare is it? What are the things which add to welfare? What are their costs? How are costs and benefits to be measured and compared? These and related questions demand answers which there can be some agreement if state policy is to achieve a rational basis.

In a working definition we may regard welfare as the state or condition of faring in the satisfaction of human desires. Thus, we speak of increases and decreases of welfare and of improvements and reductions in welfare. The term is intended to include, physical, economic, intellectual, and aesthetic satisfactions -- in brief, the entire range of satisfactions which bring happiness present and future from whatever source derived. Many of these are for satisfactions which fall entirely or largely outside the province of economics. Freedom, beauty, morality, religion, achievement, and the like are such satisfactions. No sharp line of division exists between economic and non-economic satisfactions. In the words of Cannan, "We must face, frankly, the fact that there is no precise line between economic and non-economic satisfactions, and therefore, the province of economics cannot be defined by a row of posts or fences, like a political territory or a country." We can proceed from the undoubtedly economic at one end of the scale to the undoubtedly non-economic at the other end without finding any sharp line to climb or a ditch to cross." ^{2/} Welfare depends upon the degree of attained economic and non-economic satisfactions. General welfare must be interpreted broadly enough to include aggregate attained welfare of all the varied individual desires and group desires of an entire people living in a social group.

It is not to draw a distinction, however, between welfare as a condition or as a given degree of welfare as a goal. The satisfaction of desires may be harmful to the welfare of both the individual and the community. In consequence they may reduce the degree of welfare and create a gap between the welfare achieved and that which is sought. But we do not usually reason regard the welfare sought as welfare, and the welfare achieved as welfare. Instead we use the term to mean any degree of attained welfare of human desires. We employ no antonym for what is not a maximum degree of welfare. Hence when one speaks of the welfare of a person it does not mean that it is necessarily faring well according to some standard but only that it is achieving some degree of success in its wants.

Can, Edwin. Wealth; a brief explanation of the causes of
pp. 17-18. 1930.

theless the problems of welfare and of general welfare have with ways and means of maximizing it, of achieving some desired degree of well being, and of choosing between alternatives for this end, this is the main theme of your conference. And the moment we turn to the individual's choice of alternative satisfactions, or the choices of members of a social group, questions of enlarging or diminishing welfare arise.

We start with the proposition that the degree of welfare depends on the satisfaction of human desires and accept as the objective the enlargement of general welfare, then the end requires that human conduct be such as to enlarge rather than diminish aggregate satisfactions. Not all satisfactions are desired nor are all means equally productive of satisfactions. Members of a social group have an interest in promoting the use of means and the satisfactions of those human desires which will yield more rather than less aggregate welfare according to its standards of welfare. With varying degrees of success this is exactly what social groups do. Thus, they frown upon the satisfaction of some desires, which are not in accord with their system of social values might be given great importance. Customs and attitudes which protect and perpetuate their institutions and values. They pass on experience, knowledge and ideals by instruction. They enforce legal restrictions and punishments. Within such an environment the individual, well "conditioned" by his group, is permitted to choose with freedom and independence he has left. No one can contend that the individual is wholly rational. Nor is the social influence invariably such as to promote the maximum welfare, according to any other standards than those of the group. Indeed some social influences are doubtless misdirected for the sake of the maximum welfare according to the standards of even its own group. The process is far from one of random gratification of indiscriminate individual desires without regard to consequences.

The social objective is to maximize welfare for the individual over his life span, and for the group over the life span of generations. ^{3/} In choosing between immediate satisfactions which are consistent with the social objective. Thus the individual will tend to choose currently from a range of present and future alternatives those which will yield a larger stream of economic and non-economic satisfactions. He will frequently pass up satisfactions from economic goods and pleasures in favor of non-economic satisfactions -- for example the choice of leisure or rest in preference to a larger money income and all it may buy. For various reasons he will reject satisfactions of one sort in favor of another of a different sort. If he chooses present satisfactions which are inconsistent with his future welfare, or makes irrational or unwise choices, society may wish to interfere. This is not a purely personal matter and not interfere. But if his choices are such as to harm the welfare of others sufficiently, society may wish to take protective customs, offer instruction, or impose prohibitions or restrictions to protect the general welfare from reduction at the hands of the individual or group. Thus, the maintenance of order, stability and justice, and the administration of justice as functions of government are necessary to protect the welfare of the many from reduction by the few. And organized

Penrose, E. F. Population theories and their application, with special reference to Japan. Food Research Institute, Stanford University.

seems to be the most economical means of providing such a service
 ting its imperfections.

to achieve satisfactions typically involves a social cost. The expend-
 energy, labor, money or resources which must be sacrificed for
 is usually regarded as their cost. Thus, if according to the
 own schedule of values he finds the expected satisfactions more
 and desirable to him than the thing he must give up to get them,
 ure will be made. But in a wider sense, the thing he gives up is
 money or labor, but the alternative things they would buy. Having
 alternatives which he may choose, the cost in this wider sense becomes
 alternative foregone -- or as Knight expresses it, "the sacrifice
 alternative." ^{4/} Cost is invariably a sacrifice -- and fundamental-
 sacrifice of the alternative combination of satisfactions which
 been obtained and were instead rejected by the choice which was
 his sense individual welfare always involves a sacrifice of alter-
 satisfactions by the individual. This is his private cost and any money
 merely a rough measure of the cost to him. But his acquisition of
 is may also involve social costs, or sacrifices by others in
 his own. Thus to the extent that individuals exercise rational
 have reliable expectations, one may assume that the satisfactions
 are valued at least as highly as the satisfactions sacrificed.
 individual must make no adequate indemnity to others for the net
 they bear on account of his decisions, the total social cost may
 social gain with a resulting loss of aggregate welfare.

orough analysis of social welfare can escape a consideration of
 . All sacrifices made by human beings in the satisfaction of
 are such costs. These are the aggregate costs borne by society.
 se sacrifices may appear initially as money costs. Taxes for the
 government are an example. A host of other social sacrifices are
 mic character having no money measure. Social costs are more
 re than private costs incurred for given satisfactions or products.

st social costs are the social benefits, product, or satisfactions
 received from a given policy. These like social costs are compre-
 it the content and meaning of social costs and social products for
 e not stable things. Instead they depend on the scale of values
 y attaches to alternative satisfactions. ^{5/} Individuals will tend
 t those satisfactions which society has taught them to regard
 And the preference for alternatives will be affected by these
 ards. The kind of welfare members of the group want and strive
 end on their personal standards which are socially moulded if not

roperly compare social costs and social satisfactions at any given
 necessary to have some unit of measurement so that costs and values
 persons and periods can be compared. The money measure as developed

night, F. H. The ethics of competition. p. 226. 1935.

on Ciriacy-Wantrup, S. Land conservation and social planning.
 pril 1939. p. 5.

costs and value-products is manifestly not feasible. The absence of a satisfactory unit of measurement makes impossible a social cost calculus.

But his attempt in his Economics of Welfare to devise a method for social cost and social product is not to be considered adequate. As a major objection: "Since Pigou adheres with minor exceptions to a pecuniary measure of cost and product, he is forced to restrict his analysis to those cost aspects of economic activities which are amenable to pecuniary calculus, and the gain in objectivity which is inevitably offset to some extent by the loss in comprehensiveness of the conclusions reached." 6/ Yet inadequate as such attempts may be, much can be said for them: that they may encourage a more thorough analysis of the form social costs and social benefits may take notwithstanding the difficulties of measurement. In addition they may encourage an analysis of the costs and benefits. Though such an analysis of a proposal does not reveal the choice to be made in the interests of general welfare, a more accurate approximation to it may be expected than from an offhand judgment of more or less favorable impressions of social and economic consequences.

Without an adequate social cost calculus, choices may be poorly made but are not impossible. Individuals and society continually make choices between alternative social values, choosing one and sacrificing others which to them their systems of values are less attractive. What may appear to be socially irrational action not infrequently is to be accounted for in terms of a standard of social values in which it was judged. Or again the action is in the limited knowledge available to the chooser. Or taking account of it is socially irrational action may be intentional and privately rational for the benefit of one group at the expense of a less powerful or weaker group.

It is wholly rational, and to choose the right social action may require answers to the "answers to most of the questions philosophers have ever asked which they ought to have raised and have not." 7/ But we cannot expect to have our answers in our necessity to choose currently. We can only hope to make better rather than worse approximations to "right" choice. We must value social values for granted more or less as they are and in doing so must not uncritically those which are popular, whereas a better choice may be made by adopting instead those having more permanent social acceptance. We may place higher valuations and importance on given types of satisfaction than posterity will. To our descendants we may seem like the ancestors -- as indeed the early exploiters of our resources sometimes were. In this situation it may be of some consolation to us, and possibly to our descendants, that we are seeking to choose more wisely and not less wisely; we are making deliberate choices and not have them made for us by default; and we are laying the intellectual basis for increasing our wisdom for choosing.

The shaky philosophical foundations on which we choose and the wholly inadequate intellectual tools of analysis with which we work need not deter us from attempting to appraise the desirability of governmental policies. We must

Thamer, Jacob. Cost. Social Science Encyclopedia, IV, p. 475.

Wright, F. H. Barbara Wooten on economic planning. Journal of Political Economy. December 1935. p. 812.

on great confidence in the finality of our judgment, however. The or will rarely escape some unconscious substitution of his own scale of values for those of others and of society at large with which he ed. The importance he personally attaches to a given sacrifice or not necessarily the importance others attach to it and his judgment y may not represent that of the group. Similarly he can rarely cial values of a later generation and so he employs those currently o him. The resulting bias is one which requires careful scrutiny. le to say it must be avoided, for it cannot be wholly avoided, but excuse for abandoning all interest in being unbiased.

analyze and judge the wisdom of a proposed governmental policy one re benefits which will accrue from the policy and the sacrifices it l in terms of the alternative satisfactions given up. The examination policy is incomplete if it fails to consider all important consequences fect the welfare of all. Most policies yield a variety of benefits s of different types, distribute the benefits and burdens unequally rent individuals and groups, and spread the benefits and burdens over ally. How is one to measure the value or extent of benefits to ics and the value or extent of costs to those who bear them? There able way of equating marginal social cost and marginal social product. pecially true in cases where the benefits accrue mainly to one group and the costs to another. It is difficult enough for the recipient s who bears their costs to choose for himself. It is far more diffi- egislators and officials to judge when the character and amount of hich may flow from a proposed policy to some constituents are suffi- ustify the inevitable but indeterminate pinch it will produce for eless others who must bear the social cost. To such delicate problems ly extremely crude tools and methods, but they can be improved if not

t policies involve economic and non-economic consequences. By g somewhat arbitrarily for separate treatment the economic benefits from the non-economic benefits and costs, one may attempt a rough f net economic gain or loss, and of non-economic consequences. Ho eigh these according to the most appropriate scale of values one ho's notion of social values is unpopular, the decision is likely to ly unpopular. By obtaining the judgment of individuals affected ure the use of a more acceptable scale of social values, but voting rity rule will not necessarily yield the best decision, for the votes resent equal degrees of individual net sacrifice or net benefit. ss we use the voting device, majority rule and representative govern- eciding socially desired, if not desirable policy. And the politicians ecide for the constituents, keep in touch with the value judgments ers, so as to know better what voters regard as important and what illing to sacrifice for these satisfactions.

a general rule it is sound social policy to require those who receive ts of a given activity to bear the social costs of it. Thus to an extent we require business to pay more of the social costs of industrial diseases, and social insurance on the theory that the who use the products ought to contribute the full cost of production the social costs.

is a common feature of governmental services that usually they are not sold to the beneficiaries. Hence there is no compensation for the costs involved, and the money costs must be obtained while the remainder of the social costs go uncompensated. The costs of a given policy, thus, often go to one group while the social benefits go largely by another.

Some of the greatest accomplishments thus far in methods of analyzing governmental services have generally been made in those fields where the costs are conspicuous in character and are traceable and where the benefits are widely distributed. On the subjects of taxation and public expenditures, crime and public health, education, conservation and others one can find many methods to trace and evaluate costs and benefits.

In tracing out social costs and social benefits one may frequently discover an incidence, and if the incidence can be determined one is in a position to draw inferences regarding the net effect on economic welfare. If the welfare is unequally distributed, and the phenomenon of diminishing returns is known, how that a given increment in benefits or an increment in costs will be greater for persons of low than for persons of high incomes. One may infer that a given sacrifice borne by persons of low incomes will result in a greater number of benefits for an equal number with higher incomes will result in a smaller number of aggregate satisfactions. For the loss of utility to the poor will be more than the gain in utility to those with higher incomes. Conversely one may infer that a gain in utility to those with higher incomes may usually be expected from providing a desired amount of lower incomes at the expense of a roughly equal number of higher incomes. Such inferences and many others which can be sifted out of public finance and other branches of the social sciences are of great value in appraising public policy. Imperfect as our knowledge is for the time being, it can contribute more than is often supposed. So that while we are concerned with the problem of social cost and social benefits, we commonly fail to use the methods which might even those crude intellectual tools we have.

The observations I have presented have any import at all for your work if you are constantly in mind. By general welfare, of course, I mean not the welfare of the beneficiary, class or region or group, but also the welfare of those classes, regions, and groups which make net sacrifices. It is important that the appraisal will be more complete and the decision more determined. Having gone this far, one has at least some rational basis for the aid of relevant knowledge to draw inferences regarding the general welfare. Meanwhile those of us in the social sciences and those of us in the various branches of economics should not forget the many problems in which humanity is interested -- are "the values of our society" and we are rightly expected to contribute methods for the solution of such problems. 8/