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**THE WELL-BEING ECONOMICS BEFORE ARTHUR PIGOU:
FROM ANCIENT GREEKS TO ALFRED MARSHALL**

by

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Abstract

This paper reviews the concept of well-being in Western economic thought from ancient Greek philosophers to Alfred Marshall. This non exhaustive review leads us to several ways to understand well-being, but we can group these in three main categories: *subjective well-being*, *economic (material or objective) well-being*, and *human well-being*. The subjective conception of well-being was predominant in the ancient Greek philosophers, the Italian tradition of *economia civile*, Jeremy Bentham and the marginalists; the economic conception of well-being was predominant in Adam Smith's thought, Thomas Malthus and William Senior; and the human approach was typical of the Scholasticism, John Stuart Mill and Alfred Marshall. Within each of these conceptions the most important economic variable in order to attain well-being is wealth, which is defined as either physical production or precious metal accumulation (as in the Mercantilism). But there are also other economic variables such as exercise of virtues in market, economic freedom, and the gap between market price and a given reserve price. These results may be useful to supplement the commonly accepted view in the manuals of history of economic thought about the welfare economics starts in second decade of the twentieth century, and that there are two types of welfare economics, one pigouvian and one paretian.

Introduction

Let's make three clarifications. I use throughout the paper *well-being*, not *welfare*, for three reasons. First, because well-being is a kind of synonymous of *euesto*, a Greek term which refers a personal overall well-being state, physical, emotional and psychological well-being. Second, because several kind of well-being can be highlighted setting the right prefix, e.g., *subjective* well-being, *objective* well-being, *economic* well-being, and so on. Third, because *welfare* refers to the action of the State, through public policies, in order to obtain *social* or *public* well-being, which is not precisely the main of welfare in all the authors reviewed.

For this paper the terms *economics of welfare*, *welfare economic theory*, and some like these, are synonymous all of them, and we have substituted them by *well-being economics*. The welfare economics is, in all cases, a group of theories about the way to obtain maximum welfare, whatever we mean by welfare. If we make empirical proofs in order to know causality and degree of sensitivity of certain economic variables on welfare, then we are talking about applied welfare economics. This article do not shows empirical evidence of the link between economic variables and well-being (welfare); it focuses only in the theoretical concept of well-being (welfare), and in the way achieves it, in the history of economic thought in Western world.

I'm well aware that well-being, whatever we mean by it, is determined by a set of multiple variables of all types and signs: economic, social, political, psychological, neuronal, anthropological, cultural, and so on. However, in order not to bore the reader by repeating constantly the phrase "among other variables" or "*ceteris paribus*", we establish throughout the paper the convention that the well-being dependents only of a main economic independent variable. This Marshallian technique is useful to graph the qualitative relationships we have found, which can be seen in the Annex.

Roncaglia (2006: 9-10) reminds us that we often overlook the fact that the meaning of a concept, even if it can keep the same name, change when we move from one theory to another, because the change in the analytical framework is related to changes in the conceptual foundations. We also come to recognize, continues Roncaglia (2006: 29), how essential is the analysis of the conceptual foundations of different theories, and changes in the meaning of these concepts, for theoretical research.

This article reviews the concept of well-being, and the economic factors proposed as key determinants for achieving them, which we can find in Western economic thought from

ancient Greek philosophers to Alfred Marshall. The main feature found during these review is the change in the conception of well-being around three main streams: *subjectivism*, of the Greek philosophers, Antonio Genovesi, Giovanni Beccaria, Pietro Verri, Jeremy Bentham and marginalists such as Hermann Gossen, William Jevons, Francis Edgeworth, and Carl Menger; *objectivism*, of the mercantilists, the Physiocrats, Adam Smith, Thomas Malthus, William Senior; and *humanism*, of the Scholasticism, John Stuart Mill and Alfred Marshall.

This paper concludes that it is possible to build a well-being economics before Arthur Cecil Pigou, a theoretical and normative well-being economics characterized by a threefold conception of well-being: *subjective well-being*, *economic (material or objective) well-being*, and *human well-being*. Wealth is the economic factor that presumably leads to achievement these types of well-being, but there are other important economic variables such as exercise of virtues in market, economic freedom, and the gap between market price and a given reserve price.

This article could be useful to supplement the commonly accepted view in the manuals of history of economic thought, about two characteristic points of so called *welfare economics*: a) it starts from the second decade of the twentieth century, and b) there are only two welfare economies.

To illustrate the first point, it is useful review the compilation entitled "The Economics of Welfare" edited by William Baumol and Charles Wilson, published in 2001 in the The International Library of Critical Writings in Economics series, whose chief editor was Mark Blaug. This compilation collected in three volumes a total of 94 written works (including papers and book chapters) that span the decades from 1920 to 1990, although one third of the materials (32) are of 1970's.

On the second point, history of economic thought manuals agree that there are two welfare economics.¹ The first, also known as *pigouvian*, was born in 1920 with Arthur Cecil Pigou's *The Economics of Welfare*, which he wrote a previous version entitled *Wealth and Welfare* in 1912. The second welfare economics called *new welfare economics*, was built between the 1930 and 1950 with the works of Abram Bergson, Paul Samuelson, John Hicks, Kenneth Arrow, to name a few, and has its central in the analytical instrument called *Pareto optimal*, therefore some authors called it *Paretian welfare economics*.

It is not matter of this paper, but worth leave comments made that should be also integrated into welfare economics the works of Amartya Sen from his perspective of the link

between ethics and economics, as well as the empirical works of Richard Easterlin and others authors, about the link between economic variables (income, inflation, unemployment) and subjective well-being. These would be integrated not as an addition to or a corrective of Paretian welfare economics, but perhaps as a *third welfare economics*.

The well-being economics is not only about an objective conception of well-being. The term happiness, for example, has been in economic thought from Adam Smith to the present days, and this term is so extended on contemporary theoretical and empirical research that it was necessary to group these jobs in the *happiness economics*. There are a lot of economic thinkers have identified well-being with happiness, so leave them out of an historical well-being economy, perhaps arguing that it is a subjective term which should not deal with the economy, seems a serious neglect.

Neglect that Roncaglia (2006: 30) warns us when he says that "the best way to analyze a concept, in this case well-being, is to study its evolution over time, examining the nuances that the meaning becomes in different authors and in some cases in the various writes of the humanities, philosophy and politics".

This review is much needed in the subject matter of this paper because we inherited a lot of terms related with well-being (welfare). The following is a list, not exhaustive, of concepts relating to the well-being (welfare) that we can find in economic theory and in history of economic thought textbooks: economic welfare, individual well-being, consumer welfare (and well-being), potential welfare, effective welfare, material welfare (and well-being), social welfare, human welfare, welfare theory, welfare economics, utility, happiness, social utility, quality of life, human development, welfarism, progress.

If the objective sought by the policy makers is to maximize or promote individual, collective, social or global well-being (welfare), then it is very useful to have a broader understanding of the concept of well-being (welfare). Remember that the choice and use of the tools and instruments to achieve an ultimate goal of public policies are definite on base what we mean for that ultimate goal. The issue is not trivial; it is connected with the kind of persons and the type of society we want to build.

This paper presents the progress of an investigation that is currently in process. For this reason, the paper presents only the material that has been compiled from secondary sources, mainly from books of history of economic thought of widely recognized authors,

papers, book chapters, and some direct references from the classics works made by the authors consulted.

Finally, this paper proposes *a way* not *the way* to build well-being economics before Pigou, because the selection of authors revised has been based on personal criteria that inevitably can not be shared by other researchers in the same subject.

1. Thought of the ancient Greek philosophers

The *ancient economic thought* is an operational construct, because in ancient times there was no integrated thought about economic issues, rather the study of economic affairs has always been subordinate to the study of other more general issues such as religious life or political organization. In this section we focus on the 'economic thought' of western ancient world.

Greek philosophers referred to well-being, all the times, as a subjective category called happiness. In other words, the ancient Greek philosophers understood well-being as subjective well-being in overall and economic issues. Therefore a well-being economics for ancient Greek philosophers was limited to understanding the role of wealth, i.e., possession and enjoyment of material goods to satisfy needs, in order to achieve subjective well-being.

Xenophon thought that was wise to obtain from nature only what is necessary to satisfies the 'true human needs' to avoid discomforts in order to enjoy life moderately; that for was irrational the accumulation of material goods beyond a x amount (certainly that amount never was stated) that allow enjoyment life moderately.² From this it follows that, according to Xenophon, wealth contributes positively to the subjective well-being, but until certain limit. Xenophon did not theorize if beyond that limit the effect of wealth on subjective well-being becomes negative or disappears.

For the school founded by Aristippus of Cyrene, called Cyrenaic, subjective well-being is fully based on material goods. The Cyrenaics conceives happiness as "pleasure system" where the pleasure (perceived by the sense impression) is the ultimate goal of all action.³ It is clear that in this conception of subjective well-being, wealth or the possession and accumulation of material goods, have a positive impact on happiness, because greater ownership and use of goods produced pleasure and alienates us from the discomfort and pain.⁴

In absolute opposition to the Cyrenaic school is the ethical doctrine of Antisthenes of Athens, founder of the Cynic school.⁵ The Cynics argued that subjective well-being (happiness), was achieved through *autarky*, virtue that allow maintain faraway the human his

existential opponents: hunger, cold and poverty. The doctrine of cynicism led not only contempt for material goods but also of manners, modesty and social conventions, to the point of rudeness, hence the current meaning of cynic.⁶ In Cynics' ethics there is clearly a negative relationship between wealth and subjective well-being.

Less radical than Cynicism is the doctrine of Stoicism⁷, which has as characteristic features the acceptance of destiny, the fight against the forces of passion, and self-sufficiency that enables the human being detachment from the external goods.⁸ For Seneca, the subjective well-being (happiness) must be based on what "the fickle fortune can not take any time"⁹. Because the possessions and wealth are considered hazardous, Seneca recommends to contemplate material goods as something which we can leave out, but not recommended its rejection. In essence, we can say that the ethics of Stoicism did not establish any relationship (either positive or negative) between wealth and subjective well-being.

The ethics of Epicurus¹⁰, nevertheless is in the hedonic tradition¹¹, has more elements in common with the Stoicism than with the Cyrenaic school. Epicureanism considers that subjective well-being (happiness) is achieved through the *ataraxia*, a state of freedom from fear, pain, and perturbation, but it's an active, not contemplative, state.¹² According to Epicurus, the wise does not exclude the pleasures but orders them, and applying reason and prudence (*phronesis*) in order to subject the pleasures to physical and spiritual well-being.¹³ We may conclude that in the ethics of Epicurus, subjective well-being will be oscillated around *ataraxia* depending on how the person "directs" actively pleasures, including of course, the pleasure induced by material goods.

Aristotle conceived happiness as *eudaimonia*¹⁴ which was achieved through the exercise of virtue, understood as a middle point (different in every person) between the vice of excess and the vice of deficiency. Aristotle recommended that in presence of joys and sorrows, the person should maintain them in a virtuous middle point through temperance.¹⁵

Wealth plays a role in attaining *eudaimonia*, but it concerns both, *chrematistic* and limitation of needs. On one hand, *Chrematistic* refers to acquisition and accumulation of monetary wealth. Aristotle criticized those who made the *chrematistic* itself the final objective, because he thought that the natural use of the money was spending to satisfy the needs, not its accumulation.¹⁶ On the other hand, Aristotle also said we should limit needs through education, because the desires are, by nature, unlimited.¹⁷

These three elements: happiness as *eudaimonia*, money should not be accumulated, and desires should be restrained, allows us elaborate an argument about relationship between well-being and wealth. For Aristotle the possessions of goods contribute to achieve maximum subjective well-being when the amount of wealth neither excess nor is below of our needs, but these needs are educated by prudence. Therefore, the wealth have a positive effect on subjective well-being but only the in a range definite by excess and deficiency.

2. The medieval Christian thought

The early Christian thought, also called thought of the early Fathers of the Church, presented the kingdom of God as something very close, which led them to consider as unnecessary the production of goods and services. However, when it became clear that the coming of that kingdom was not so close, Christian thought changed its view about the wealth, which came to be considered as a gift that God gives to promote *human well-being (human welfare)* in the world.¹⁸

For a history of well-being economics is significant this change in the conception of well-being, it goes from a completely subjective element to another that is directly observable and objective. In medieval Christian thought, the happiness in the world is no longer the goal to pursue. The best one can obtain in this world is a comfort derived from material conditions that allow a decent level of life. Therefore, well-being is conceived here as human well-being, since the true happiness is only found in God.

The role of wealth in the pursuit of human well-being is related with the notion of needs. Scholasticism returned to Aristotelian concept of virtue as a balance between deficiency and excess, but in the doctrine of faith the accent fell in the study of the deficiency of many instead the excess of a minority. Thus, in the problem of satisfies human needs the word *indigentia* became the central concept, it means needs against shortage.

St. Augustine recognized that the issue of support needs is subjective, because "every man has the power to shape his mind, [so] there is little agreement between the election of a man who really needs an object and the election of one who craves an object only for pleasure".¹⁹ However, Thomas Aquinas put the emphasis on objective human needs, which can be met through the goods, and argue that the price of goods was a function of need, some authors see here the oldest root of an analytic theory of value based on demand.²⁰ Jean Buridan and Gerald Odonis also participated in the theme of needs. The first, related

indigentia with the desire supported by the payment capacity; the second, used the concept *raritas* (shortages against needs), otherwise *indigentia*.²¹

The notions of *indigentia* and *raritas* help us to develop a relation between human well-being and wealth. For Scholasticism the human well-being concern to satisfying the objective requirements of the material life by the satisfaction of needs front shortage (absolute or relative), in order to achieve a comfortable level of life, but no the happiness. The wealth can contribute to human well-being by two different ways: reducing *indigentia* thought a greater satisfaction of needs, or reducing *raritas* thought reducing shortages.

3. The pre-classic thought

The concept of well-being in Mercantilism is an economic-financial-group well-being with two components. First, it is refer to well-being (welfare) of the absolutist monarchy, more precisely, the well-being (welfare) of the ruling nobility, therefore, when the mercantilist talk about *national well-being (national welfare)* is better understand it as well-being of a group or social class. Second, the mercantilist believes that wealth is the accumulation of precious metals that are reflected in a favorable balance of trade, i.e., wealth is not the production of goods.²² So therefore, well-being mercantilist is a *group well-being* and it is a positive function of wealth understood as accumulation of precious metals.

Pierre Boisguillebert was a Physiocrat and he agreed that the land agriculture was the source of wealth of nations, but he also thought that goods and services constituted the true nature of national wealth, not the money as the mercantilists.²³ Therefore, in the Physiocracy the *national well-being* depends of physical wealth.

For Bernard de Mandeville, individual vices make public prosperity and maximize the *social well-being (social welfare)*.²⁴ Mandeville argued that the best we can do to achieve the *public well-being (public welfare)* is to leave persons in absolute freedom to meet their own vices, since some proclaimed economic and social virtues, such savings, were less socially useful, the lavish spending created more jobs than the frugality.²⁵ Thus, for Mandeville, *public well-being* depends positively of the degree of economic freedom.

4. The Italian tradition of *economia civile*

Preceding and contemporary of Adam Smith, there is an important tradition of Italian thinkers into a stream called Italian civic humanism, tradition that comes from Petrarca, also known as *economia civile*.²⁶ In their economic writings they addressed the concepts of *pubblica felicità* and *ben vivere sociale*. Antonio Muratori, Antonio Genovessi, Ferdinando

Galiani, Pietro Verri, Cesare Beccaria, among others contemporary men, have a subjective vision of well-being. Galiani said that "among men only the pleasure has a price, not buy other things that comfort... do not pay anything other than the injury and the deprivation of pleasure caused to others...".²⁷ In the same way Muratori said "in us, the main desire, the father of all desires, is our private good, our private happiness... but more sublime is the desire of the good of society, the public good, public happiness".²⁸

Genovessi Antonio is a clear precursor of the idea of social capital, considering that the main advantage of the company is in the enjoyment of social relations, and argued that the economy is a civil (or social) only if focuses on *pubblica felicità*.²⁹ To Genovessi, economic life is an exercise of civic virtues, being the market place are put into practice virtues such as love for the common good and the control of individual passions, where each one helps the other to meet their needs through interpersonal relationships.³⁰

For its part, Beccaria and Verri shared a subjective and hedonistic conception of economics phenomena; they saw that in making economic decisions of individuals, they are motivated solely by the pursuit of pleasure and fear of pain. Beccaria made clear, before Bentham, the goal of public action was the "greatest happiness for the greatest number", and Verri considered possible to carry out the measure of pleasure in monetary terms.³¹

We can say that for this group of Italian thinkers the concept of well-being is primarily subjective and public, and they considered that authorities and public institutions must always take into account the innate desire of human beings to seek pleasure and move away from pain. However, they also said that human beings are able to exercise public virtues, and best evidence is the market mechanism. In short, the *subjective and public well-being* grows when we exercise public virtues in the market.

5. The classic thought

The labor value theory provides insights into the way in which classical economists conceived well-being. This is the first perspective from which Myint (1962) analyzes the well-being (welfare), and called it "fight of man against nature". Here is implicit that the needs are proportional to the quantities of physical products, so the well-being (welfare) grows when the quantity and productivity of physical resources increases. It is a well-being (welfare) analysis at the physical level.

Others authors, for example, Sanchez and Santiago (1998: 175) say that "in the classical economic thought, speaking strictly, there was no welfare economics. And there was

none because he identified welfare with wealth". Precisely because there was a conception of well-being (welfare), in this case as physical wealth, it should be include in a history of well-being economics. On the site previously referred, these authors make clear that "Classics focused on growing the wealth of nations, assuming that an increase of this wealth was equivalent to an increase in welfare ... The canon was to maximize production for the maximum number of people".

This conception of well-being (welfare) is rooted in the fact that for the classical economists resources are land (passive and unchanging factor) and labor (active factor likely to increase), and the economic problem was, as they saw it, the struggle of man against nature in which well-being (welfare) could be measured by the degree of success in that eternal fight.³²

Other authors share and expand the thesis of Myint. For example, James (1957: 138) argues that the old classic authors built "a wealth economics, a kind of severe chrematistic" because they were more interested in the accumulation of wealth and in the laws of that change. Landreth and Colander (2004: 435 and 436) notes that "welfare economics was a part of classical economics". In short, the classical economists spoke about an *economic well-being*, which we can also call *objective well-being*, or *material well-being*. In order to increase this *economic well-being*, it is need ton increase production of material goods, i.e., wealth of nation.

In the case of Adam Smith, we can find two conceptions of well-being. For moralist Smith well-being is subjective and he identifies it with happiness. For economist Smith the well-being is objective and he identifies it with wealth in physical terms, as we can see.

The issue of moral philosophy, according Smith, is happiness and human well-being (welfare), not only as individuals, but it as members of a family, a state, and human society.³³ For moral philosopher Smith correspondence of feelings or mutual sympathy is the main source of human happiness; wealth is only a mean to attract the consideration of others.³⁴ In this sense Smith stated that the endogenous justice mechanism, called invisible hand, it allocates equitably happiness, not material possessions (wealth).³⁵ In his own words (Smith, 1994: 185):

"As is true happiness in human life, they (the poor) are not inferior to those above (the rich). In ease of body and peace of mind, all the different levels of life are about the same level, and the beggar can have that peace and tranquility for which kings are fighting."

In contrast, in the work of Smith economist, the focus is economic growth, the growth of national wealth. The chain of economic growth in Smith begins with the division of labor, which increases productivity, leading to increased production, leading to higher wages and higher income per capita and higher levels of consumption, which leads to greater wealth of a nation and greater accumulation of capital.³⁶

6. The post-classic thought and utilitarianism

Thomas Malthus was the leading figure of post-Smithian economics in the first half of the nineteenth century, and his writings shaped the political economy as an independent discipline of philosophy moral.³⁷ For Malthus, it became clear that since Adam Smith, the object of economics is the wealth of nations, and the happiness of nations is another research.³⁸ William Senior expressed similarly to define political economy as the science that deals with the nature, production and distribution of wealth, therefore, according to Senior, the field of economics is wealth not happiness.³⁹

During the classical school was sharing the conviction that the *homo economicus* is a selfish and competitive man, also the idea that all motives of human action derived to achieve pleasure and avoid pain. These two beliefs were the core of utilitarianism of Jeremy Bentham, who argued that well-being is entirely subjective linked to hedonic pleasure.⁴⁰ The utility principle was for Bentham not only the explanation of individual behavior, also was the moral criterion of every political measure.⁴¹

To reduce all human motives to the principle of utility, Bentham laid the foundations of a science of human happiness, which he intended make as empirical as physics, proposing his famous seven regulators of the value of a pleasure or a pain (intensity, duration, certainty, propinquity or remoteness, fecundity, purity and length).⁴²

The well-being of consumption, income, wealth, or any other economic variable, should be immediately referred to that calculus of happiness. In Bentham the happiness can be achieved by way of wealth, therefore happiness is the aim of economic actions.⁴³ In other words, the subjective well-being (happiness) is a positive function of pleasure and a negative function of pain, where the wealth plays in favor of pleasure.

Although John Stuart Mill said to share the utilitarianism, his conception of well-being is less subjective than Bentham's conception. For Mill pain and pleasure are not the unique elements of well-being, he also includes elements that he supposed as a result of social reforms, such as reallocate of wealth, women's equality, workers' rights, and

education.⁴⁴ Mill argued that the ultimate goal of all economic activity was to contribute to improvement in lifestyle and moral progress of society, so their concept of well-being is more humanist, and *human well-being*.

Mill believed that the accumulation of wealth was a limit beyond which wealth ceases to contribute human well-being, and even could reverse it. It is known that Mill was not afraid of the "steady state" and he attacked the idea wealth accumulation of by itself: "I don't like the ideal of life of those who thought that the normal state of human beings is a constant struggle to advance".⁴⁵ He asked "I do not know why there is reason to welcome the fact that people who are already richer than anyone needs to be, have doubled their means of consuming things that produce little or no pleasure except as representative of wealth".⁴⁶

7. The marginalist thought

The marginalism of William Jevons, Carl Menger and Léon Walras, which will become the base of the neoclassical theory, it served to substantiate the idea that human behavior is entirely reducible to rational calculation aimed at maximizing utility.⁴⁷ For marginalist as Jevons and Francis Edgeworth, economics became the science of happiness and pleasure, therefore the domain of economy and wealth is the pursuit of happiness and pleasure.⁴⁸ For the marginalist thought the well-being is achieved by the efficient allocation of resources, this idea will be the base of pigouvian and paretian welfare economics.⁴⁹

Hermann Gossen believed that the economics was the theory of pleasure and pain, the way how you can get maximum pleasure with minimum effort, either individually or collective.⁵⁰ For Jevons, maximize the pleasure was the problem of economics⁵¹, and he defined economics as the science of calculating pleasures and pains in order to obtain happiness or pleasure.⁵² In this same line, Edgeworth pointed that maximize happiness means maximize pleasure.⁵³

Well-being in Menger is the maximum utility, and maximum utility meaning maximum satisfaction of needs. Menger established the principle of equal marginality to describe the behavior of maximizing individual satisfaction. He describes how the persons use the available quantities of goods in order to obtain the maximum possible satisfaction, but he also stressed that satisfaction have different degrees for people and they try to satisfies most urgent needs before the less urgent.⁵⁴ This group of authors has clearly a conception of well-being as subjective, and the way to maximum subjective well-being is the efficient allocation of all resources available.

8. The thought of Alfred Marshall

Some authors argue that Alfred Marshall's major contribution to well-being economics is the development of consumer surplus idea.⁵⁵ This famous concept, in his time and even now⁵⁶, has eclipsed another more humanistic conception of well-being which shows the influence of Henry Sidgwick.⁵⁷

a) The consumer surplus

The concept of consumer surplus is an original contribution of Dupuit⁵⁸, but is Marshall who developed it to talk about well-being. Marshall understands the consumer surplus as the monetary gain of a consumer when the market price of a good is less than the price which consumer would be willing to pay for the commodity before deprived of it (reserve price).⁵⁹

In this context, well-being is understood as a monetary utility gain, which can be quantified by the size of the consumer surplus. For this reason, Marshall assumed that consumer well-being (welfare) may increase or decrease when the prices of goods varies, holding constant the reserve price. Fiscal policy measures are sources of prices change through taxes and subsidies to industry.

For Marshall, the consumer surplus approach can easily be extended to discuss social well-being (welfare), which can be defined as the final result of consumer surplus taking into account the public expenditure of subsidy and the public income of tax. The final effect on social well-being (welfare) depends whether the industry subject to this fiscal policy is constant, increasing or decreasing costs.⁶⁰

b) Human well-being

In an excerpt from unpublished writing of Marshall, which was compiled by Pigou⁶¹ in 1925, we can read "the wealth exists only for the benefit of mankind. It can not be properly measured in yards or tons, or ounces of gold, the true measure lies only in the contribution it makes to human welfare". In this line, wealth can contribute to well-being only indirectly, because the object of economics is, again, the physical, material or objective well-being.⁶²

The famous definition of economics offers by Marshall (1963: book I, chap. 1, § 1) confirms this idea:

"... the study of human activities in the ordinary acts of life [...] the science that examines the part of individual and social action [...] connected with the attainment and use of the material requisites of well-being".

For Marshall, well-being depends in a high grade of non economic factors such as religion, genuine interpersonal relationships, friendship, and family affection. In Marshall we found the Aristotelian idea about well-being (happiness) does not depend on the wealth because well-being has a social nature. But poverty, Marshall recognizes, imposes severe, if not impossible, obstacles to develop these dimensions of life which well-being depends on. Therefore, Marshall says that the role of economics in society is very important as looking at ways to reduce poverty and increase wealth, contributing to increase living standards⁶³, i.e., the *human well-being* depends of *economic well-being*.

Marshall does not use the word happiness because he wants to separate from the utilitarian and hedonic charge that that word containing, so he prefers well-being, which was not a new term among his contemporaries, and then was replaced by welfare in Pigou's works. For the Cambridge tradition, wealth is synonymous of physical wealth, and they consider that wealth is essential to reach a more complete kind of well-being, which we have called *human well-being*. John Maynard Keynes, another of the Cambridge tradition, took up this idea in his writings on social philosophy.⁶⁴

Finally, remember that in the early twentieth century, under the influence of Marshall and the Fabians, some British authors opposed *wealth economy* and *welfare economy*. They sought the elements of welfare and they wanted an *economics of welfare*, i.e., an economics concerned with the means to make the most of maximum of social well-being (welfare).⁶⁵

Conclusions

This review, non exhaustive, of well-being (welfare) concept in Western economic thought, from ancient Greek philosophers to Alfred Marshall, leads us to several ways to understand it, but we can group these in three main categories: *subjective well-being*, *economic (material or objective) well-being* and *well-being human*. It we can also isolate one economic variable in each case, which contributes in some degree to the attainment of well-being. Table 1 and the Annex summarize these results.

In summary, the subjective conception of well-being was predominant in the ancient Greek philosophers, the Italian tradition of *economia civile*, Jeremy Bentham and marginalists; the economic conception of well-being was predominant in Adam Smith's thought, Thomas Malthus and William Senior; and the human approach was typical of Scholasticism, John Stuart Mill and Alfred Marshall.

Within each of these conceptions the economic variable most important in order to attain well-being is wealth defined as either physical production or precious metal accumulation. But there are also other economic variables as exercise of virtues in market, economic freedom, and the gap between market price and a given reserve price.

These elements allow us to build a well-being economics before ~~to~~ Arthur Cecil Pigou, a theoretical and normative type of well-being economics. The result of this paper may be useful to supplement the commonly accepted view in the manuals of history of economic thought about the welfare economics starts in the second decade of the twentieth century, and that there are only a pigouvian and new welfare economics.

TABLE 1:
SOME KEY ITEMS FOR WELL-BEING ECONOMICS BEFORE ARTHUR PIGOU

School	Authors	Conception of Well-Being	Indeped. Variable	Effect on Well-being
Ancient Greeks philosophers	Xenophon	Subjective: happiness	Wealth	Positive, until x amount.
	Cyrenaics	Subjective: happiness = pleasure	Wealth	Positive, high grade.
	Cynics	Subjective: happiness (by <i>autarky</i>)	Wealth	Negative
	Stoicism	Subjective: happiness	Wealth	None
	Epicurus	Subjective: happiness	Wealth	Oscillating around <i>ataraxia</i>
	Aristotle	Subjective: happiness = <i>eudaimonia</i>	Wealth	Concave
Scholasticism		Human	Wealth	Positive, reducing <i>indigentia</i>
Pre-classical: Mercantilism		Economic, group	Wealth, gold accumulation	Positive
Pre-classical: Physiocracy	Boisguillebert	Economic, national	Wealth	Positive
Pre-classical: Liberalism	Mandeville	Economic, public	Economic freedom	Positive
Italian tradition <i>economia civile</i>	Galiani, Muratori, Genovessi, Beccaria, Verri.	Subjective and social: <i>pubblica felicità</i> .	Exercise of civic virtues in the market	Positive
Classical	Adam Smith	Economic	Wealth	Positive
Post-classical	Malthus, Senior	Economic	Wealth	Positive
Utilitarianism	Bentham	Subjective: happiness = pleasure	Wealth, produce pleasure	Positive
	J. S. Mill	Human	Wealth	Concave
Marginalism	Jevons, Menger, Gossen, Edgeworth	Subjective: happiness = pleasure	Efficient allocation, max utility	Positive
Neo-classical	Alfred Marshall	Subjective: monetary utility gain (consumer surplus)	Market price, holding constant reserve price.	Negative
	Alfred Marshall	Human	Wealth	Positive, but limited.

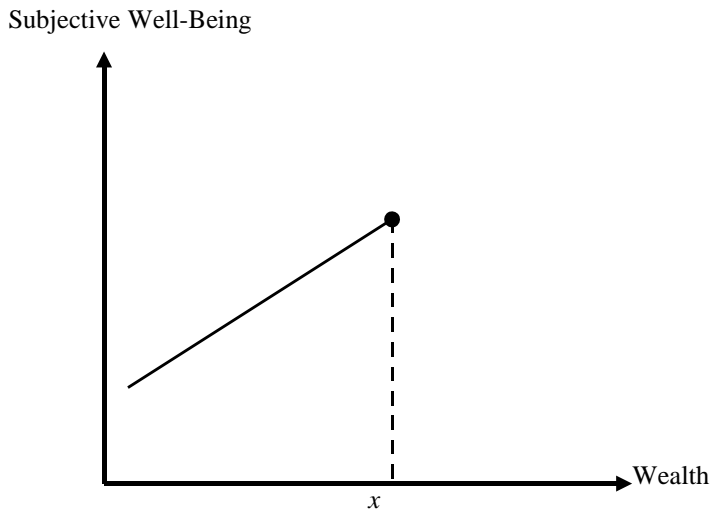
Source: self elaboration.

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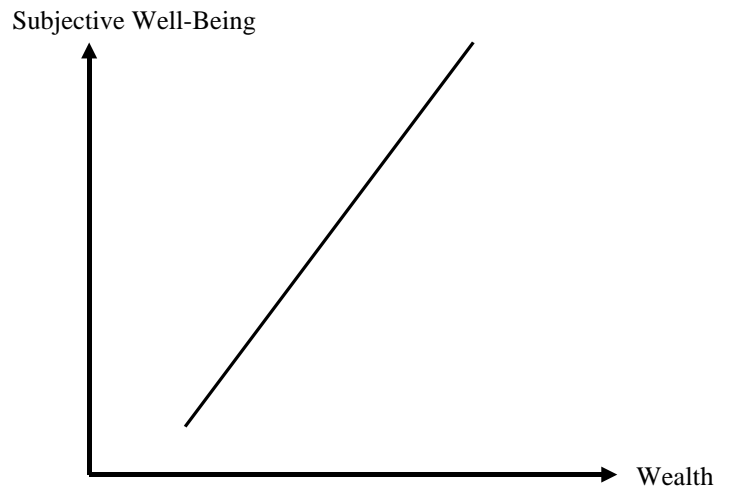
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XENOPHON

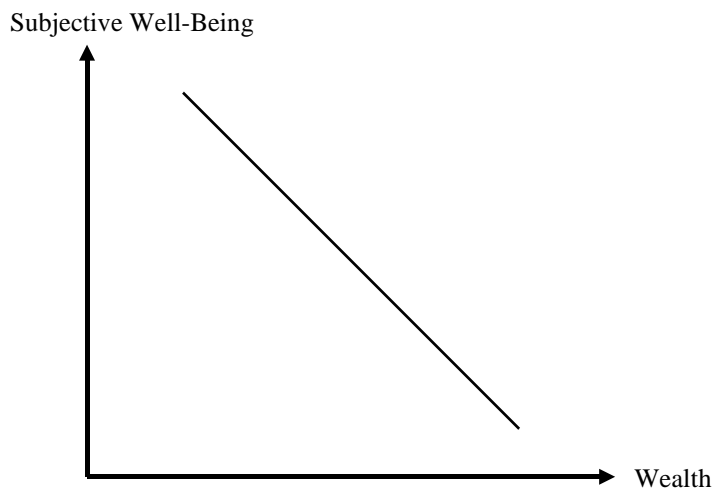


ANNEX

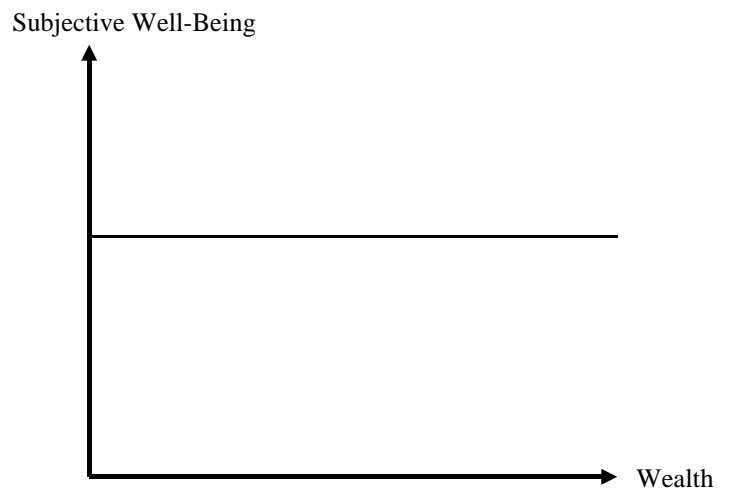


CYRENAICS

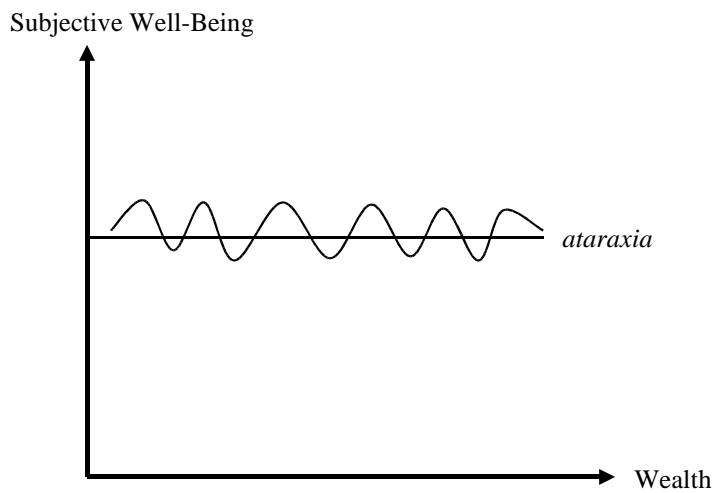
CYNICS



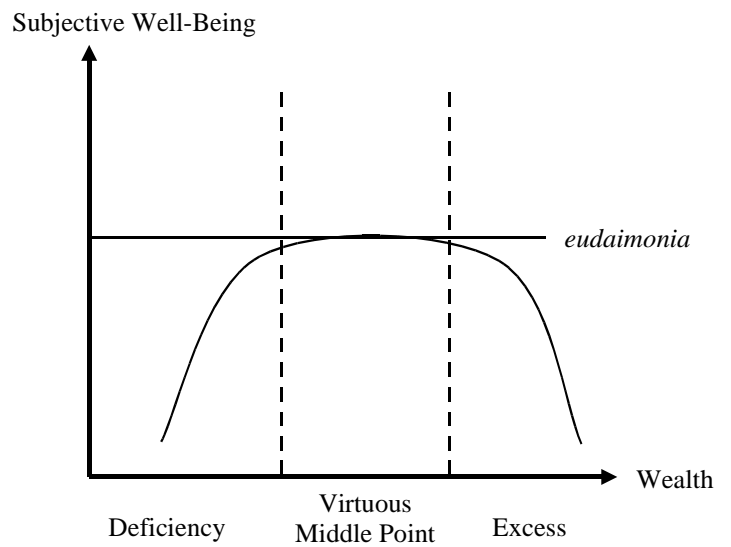
STOICISM



EPICURUS

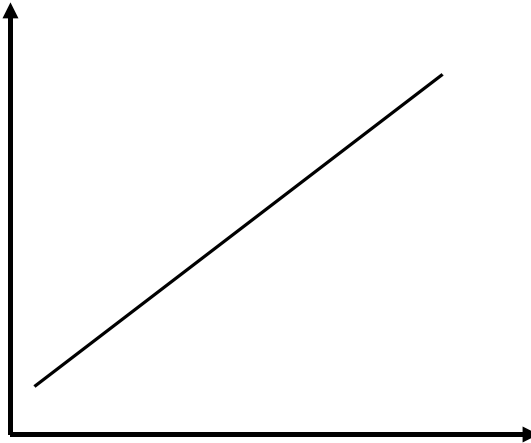


ARISTOTLE



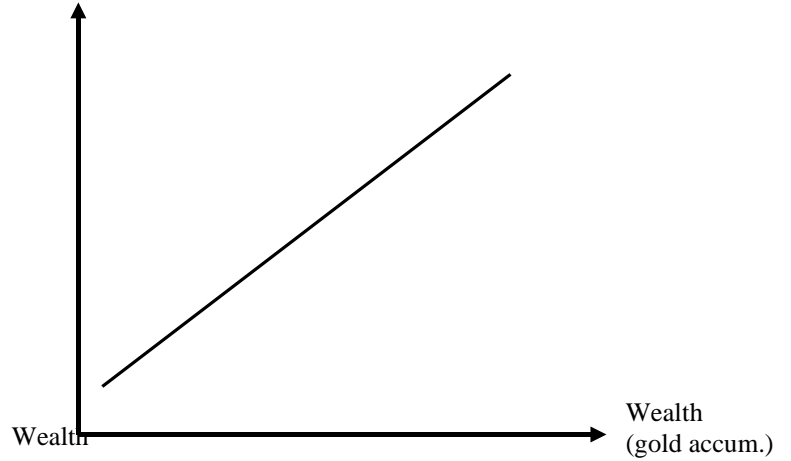
SCHOLASTIC

Human Well-Being



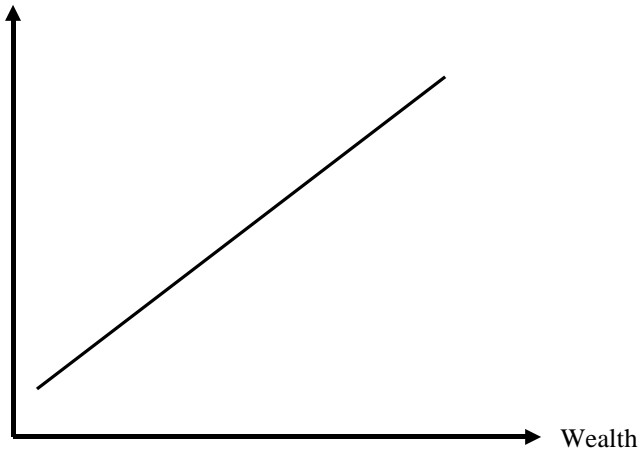
MERCANTILISM

Economic Well-Being (Group)



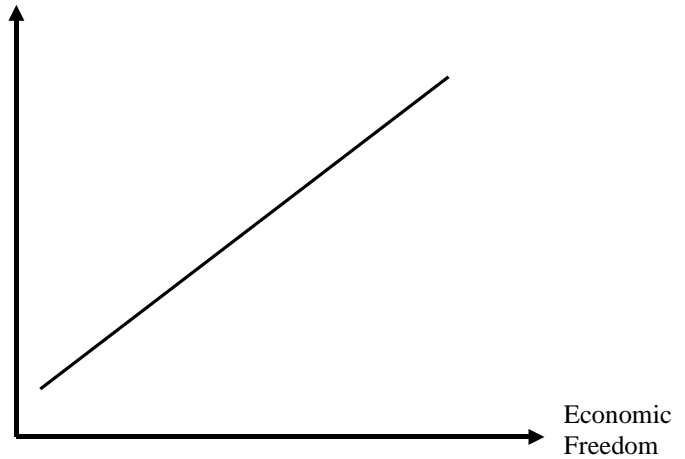
PHYSIOCRACY

Economic Well-Being (National)



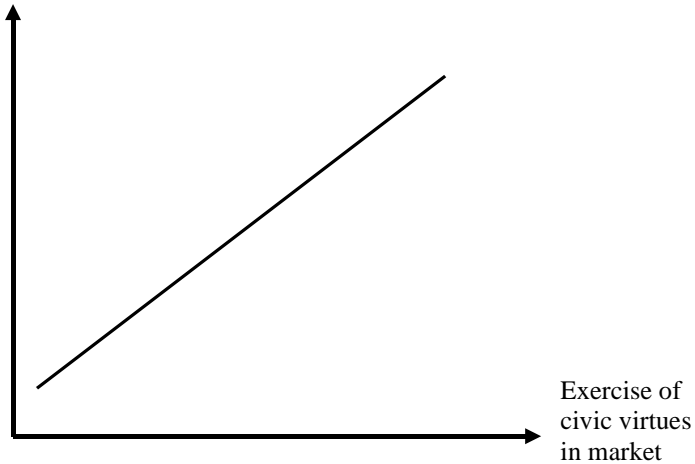
LIBERALISM

Economic Well-Being (Public or Social)



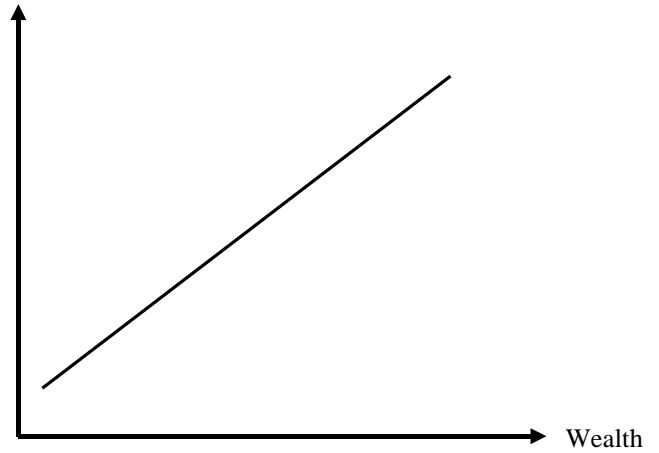
ITALIAN TRADITION (*economia civile*)

Subjective Well-Being (Social), *pubblica felicità*

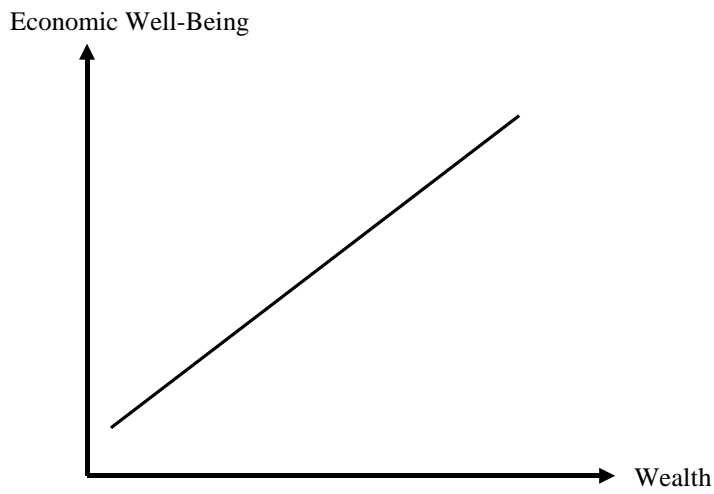


CLASSICAL

Economic Well-Being

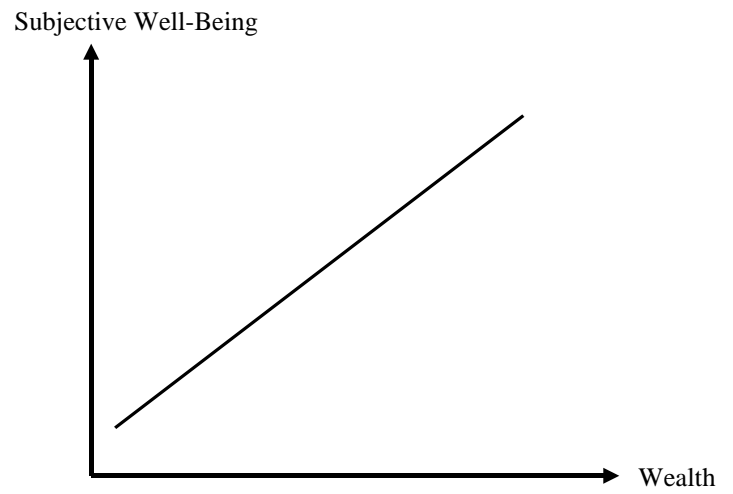


POST-CLASSICAL

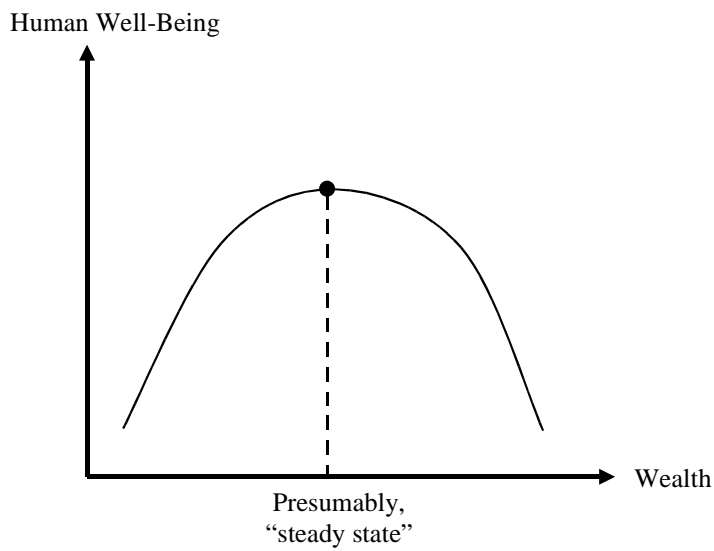


J. S. MILL

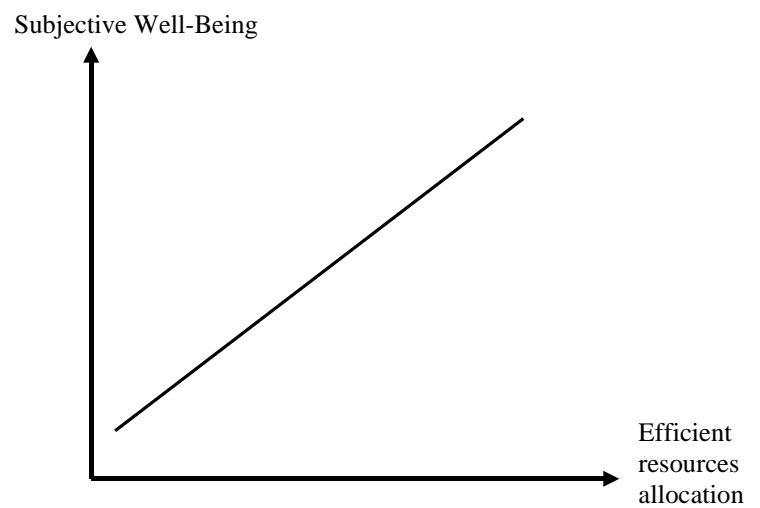
J. BENTHAM



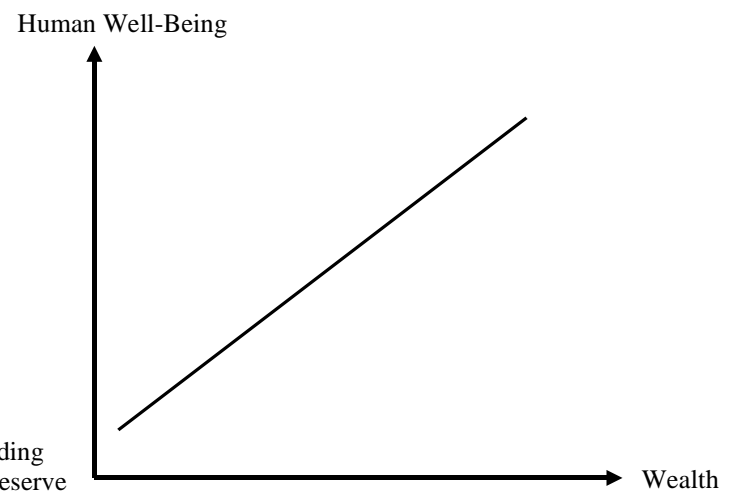
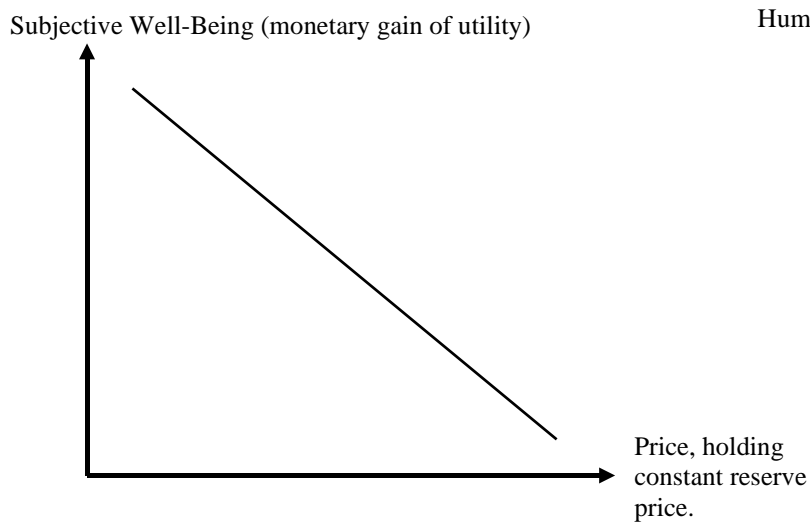
MARGINALISM



MARSHALL



MARSHALL



NOTES

¹ There are some exceptions. Barbe (1996: 444), quoted C. Vivian Walsh, identifies three stages in evolution of welfare economics which are parallel to the stages of maturation of individual choice theory: a) economics of welfare: its main exponent was Pigou, and it is based on a cardinal utilitarianism approach; b) new economics of welfare, it is based on ordinal preferences and compensation principles, and c) axiomatic welfare economics: focuses on Kenneth J. Arrow and its axioms of social choice, parallel to the axiomatic approaches of individual choice to develop their own Arrow. Others authors don't make explicit the old and new welfare economics, for example, Rima (1995) entitled her chapter 15 "The new theory of welfare and consumer behavior", but she does not speak anywhere else of an "old" welfare theory, but she states merely, in chapter 14, some references to "the welfare effects of taxes and subsidies" according to the concept of consumer surplus of Alfred Marshall.

² Ramos (2004: 207, note) and Ekelund and Hébert (1992: 17)

³ Ferrater (1990)

⁴ A contemporary perspective of Cyrenaic hedonism is psychological hedonism, which holds that any action is motivated solely by the pleasure derived from it taking in account expected costs. McReynolds (1977: 336)

⁵ Antisthenes taught in Cynosarges, outskirts of Athens, from where his school was called Cynics. See Branham and Goulet-Caze (2000).

⁶ Abbagnano (1982)

⁷ School founded by Zeno of Citium in the *stoa poikile* from where the members of that school were called Stoics. The school is usually divided into three periods: ancient Stoicism (Zeno), medium Stoicism (Panaetius and Posidonius), and the new Stoicism (Lucius Annaeus Seneca). If we disregard the differences that separate those periods and the particular doctrines or interests of each one, we can consider Stoicism as a unified doctrine, which has been a historical constant in Western thought, perhaps because it is one of the latest attitudes of humans when appeared a misfortune. Ferrater (1990: 1036 - 1040)

⁸ Hirschberger (1997: 231 - 232)

⁹ Seneca (1991: 46) and Seneca (2000: 62, 74 - 75)

¹⁰ He established his school in a farm called "The Garden". His philosophy is the base of the Epicureanism.

¹¹ Any doctrine that sees the pleasure (*hedoné*) as the final goal of life is, in a strict sense, a hedonistic doctrine, but as there are many ways to understand the pleasure, there are many forms of hedonism.

¹² Ferrater (1990: 955, 957)

¹³ Hirschberger (1997: 246)

¹⁴ Greek prefix *eu* (good) and *daimon* (god, spirit, demon). The *daimon* is an emissary of the gods who cares for each one of us acting invisible. Having bad *daimon* means to be led astray, hence became the root of the current term "devil." The name *Desdemona* Shakespeare used for the unhappy wife of Othello is a variation of the *dysdaimon* it means to be driven into disgrace. McMahon (2006: 21)

¹⁵ Aristotle (2004: 25 – 32, and 57)

¹⁶ Ekelund and Hébert (1992: 24)

¹⁷ Ramos (2004: 206 - 207)

¹⁸ Ekelund and Hébert (1992: 26)

¹⁹ *Idem*, p. 27.

²⁰ *Idem*, pp. 30-31.

²¹ *Idem*, p. 34.

²² Landreth and Colander (2004).

²³ Screpanti and Zamagni (1997: 52) and (Ekelund and Hébert, 1992: 88)

²⁴ Ekelund and Hébert (1992: 68)

²⁵ Screpanti and Zamagni (1997: 51)

²⁶ Bruni (2004: 23)

²⁷ Screpanti and Zamagni (1997: 61)

²⁸ Bruni (2004: 26)

²⁹ *Idem*

³⁰ *Idem*, pp. 27 - 28.

³¹ Screpanti and Zamagni (1997: 63)

³² Myint (1962: 146)

³³ Rima (1995: 90)

³⁴ Bruni (2004: 30)

³⁵ *Idem*, p. 31.

³⁶ Ekelund and Hébert (1992: 112, 128)

³⁷ Rima (1995: 122)

³⁸ Bruni (2004: 24)

³⁹ Ekelund and Hébert (1992: 169 - 170)

⁴⁰ Screpanti and Zamagni (1997: 78)

⁴¹ Backhouse (1988: 200)

⁴² Screpanti and Zamagni (1997: 78)

⁴³ Bruni (2004: 35)

⁴⁴ Ekelund and Hébert (1992: 199)

⁴⁵ *Idem*.

⁴⁶ Ramos (2004: 208)

⁴⁷ Screpanti and Zamagni (1997: 158)

⁴⁸ Bruni (2004: 36)

⁴⁹ Sanchez and Santiago (1998: 177)

⁵⁰ Ekelund and Hébert (1992: 338)

⁵¹ Screpanti and Zamagni (1997: 166)

⁵² Bruni (2004: 36)

⁵³ *Idem*.

⁵⁴ Ekelund and Hébert (1992: 343 - 345)

⁵⁵ Backhouse (1988: 205)

⁵⁶ For example, Lucas (2000: 250) uses the consumer surplus approach to define the welfare loss due to inflation (welfare cost of inflation) as "the area under the inverse demand function that can be gained by reducing the interest rate from a given level r to zero."

⁵⁷ Henry Sidgwick was the initiator of the utilitarian tradition in welfare economics, which culminated in the work of Pigou. His main contributions were three: emphasized the distinction, central to welfare economics, between positive and normative aspects of the economy; used Jevons's theory of value to show that wealth in the sense of sum of individuals profits not necessarily correspond to the wealth meaning the sum of produced goods valued at market prices; contributed to economic welfare practice systematically explaining the principles of economic policy. See Backhouse (1988: 202 - 203)

⁵⁸ Blaug (1985: 448)

⁵⁹ Assuming that the marginal utility of money is constant for consumers and the utility, which is itself subjective, is measured in cardinal units. For a technical review of this concept see Varian (2007).

⁶⁰ According to Marshall, the State may increase social welfare by taxing industries of diminishing returns and subsidizing industries of increasing returns. The argument depends on the ability to distinguish between the industries of diminishing returns and increasing returns, which is a formidable problem. Marshall expressed some caution about the practical applicability of this argument and cautioned against the administrative problems of tax collection and determining the level of subsidy. See Blaug (1985: 460 - 61).

⁶¹ Barbe (1996: 444)

⁶² Bruni (2004: 32)

⁶³ *Idem*, p. 34.

⁶⁴ *Idem*, p. 33.

⁶⁵ James (1957: 138)