

LIBERTARIANISM, RIGHTS AND THE PARETO PRINCIPLE

Dissertation submitted to
Jawaharlal Nehru University
in partial fulfilment of the requirements
for the award of the Degree of
MASTER OF PHILOSOPHY

GAUTAM SETHI

CENTRE FOR ECONOMIC STUDIES AND PLANNING
SCHOOL OF SOCIAL SCIENCES
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI, 110067, INDIA
1992



CENTRE FOR ECONOMIC STUDIES & PLANNING

SCHOOL OF SOCIAL SCIENCES

JAWAHARLAL NEHRU UNIVERSITY

New Campus
NEW DELHI 110 067

January, 1992

DECLARATION

Certified that the dissertation entitled "Libertarianism, Rights and the Pareto Principle" submitted by Gautam Sethi is for the award of the degree of Master of Philosophy of this University. This dissertation has not been previously submitted for any other degree of this or any other University and is his own work. I recommend that this dissertation be placed before the examiners for evaluation.

PROFESSOR SATISH K. JAIN
SUPERVISOR & CHAIRPERSON

ACKNOWLEDGEMENTS

I am extremely indebted to my supervisor, Prof. Satish Jain for providing me with not only academic guidance over the past couple of years but also helping me in many personal ways. I shall remain indebted to him in the years to come. I would also like to record my gratitude to Dr. Santosh Panda who never denied me his valuable time. I wish to express my feeling of gratitude to Dr. Pulin Nayak who has acted not only as a source of inspiration but also as a friend. The staff of the libraries at the Jawaharlal University and the Delhi School of Economics have been extremely helpful. Finally, I also wish to convey a big "Thank You" to Smita, Sincy and Alka without whose help this manuscript could not have been so efficiently typed.

Gaurkamsethi

CONTENTS

Introduction 1
Utilitarianism 8
Liberalism23
The Structure of the Debate29
A Review of the Literature39
Concluding Remarks89
Bibliography94

CHAPTER ONE : INTRODUCTION

1.1 Introduction

The Liberal Paradox was discovered by Amartya Sen [74]1. The thesis presented is indeed very potent. Moreover, Sen's simple and lucid style adds to the brilliance of his presentation. Hundreds of papers on the subject written over the past two decades bear eloquent testimony to the importance and depth of the argument. And as the debate has progressed over this period - with much improved and sophisticated arguments and counter-arguments being used - the relevance of Sen's theorem is being increasingly felt. Essentially, the issue that Sen raises is the following. Let there be a situation where a society has to choose a 'best' alternative from a given set. Also, let social choices be contingent only upon the preferences of all individuals comprising that society. Would it then be true that society may not be able to simultaneously satisfy a few 'mild-looking' (and hence highly desirable) value judgements? As is evident from the name conferred upon this discovery, the answer is in the affirmative.

1.2 Sen's example

To illustrate Sen's contention, there is nothing better than his own example to turn to. Let there be two individuals, amongst others, in a society which possesses a single copy of D.H. Lawrence's book, 'Lady Chatterly's Lover'. Of these two individuals, one is a 'prude' and other

a 'lewd'. This society has three alternatives before it amongst which it has to make a choice. Moreover, this choice is to be contingent only upon the preferences of its members². The alternatives are :

a : prude alone reads the book

b : lewd alone reads the book

c : neither reads the book

The prude, in accordance with his views, prefers **c** to both the other alternatives. Between **a** and **b**, he prefers **a** to **b** since he feels it would be better for him (and society at large) if he becomes a 'martyr' and prevents the lewd from reading such a dangerous piece of literature. Therefore, his preference, in decreasing order, is **c a b**³. The lewd, on the other hand, detests the idea that this masterly prose goes unread and therefore, waste. Hence, **c** lies at the bottom of his preference ranking. Between alternatives **a** and **b**, he too prefers **a** to **b** due to an opposite and yet, in some sense, analogous line of reasoning. The similarity of his thought process with that of the prude lies in his perception that he, too, ought to attain 'martyrdom'. Therefore, he would rather forego the pleasure of experiencing Lawrence's literary skills and expose these to the prude's 'closed' mind. Thus, his ranking is **a b c**. In addition, between **a** and **b**, everybody else in society, for reasons of their own, prefer **a** to **b**.

Now comes the conundrum. If society had to choose amongst the above-described set of alternatives, could the

choice possibly be made without violating either the prude's or the lewd's rights on the one hand, and the condition of unanimity on the other? Let us check.

If society chose **b** it would be violating the unanimity condition since everybody in society prefers **a** to **b**. Since **a** is available and there is unanimity regarding the ordered pair $\langle \mathbf{a}, \mathbf{b} \rangle$ it would be 'irrational' for society to choose **b**. The choice of **a**, on the other hand, would violate the prude's rights since he prefers **c** to **a**. Both these alternatives lie in the prude's 'personal sphere' i.e. the choice between this pair of alternatives would affect him alone. Libertarian considerations (as formulated by Sen) indicate that only his preference should structure society's in this regard. Thus, society ought not to choose **a**. Analogously, as can be easily checked, the choice of **c** would violate the lewd's rights. Hence, every alternative that can potentially realise from society's choice results in an undesirable situation. Herein lies the paradox.

1.3 Role of external effects

Unarguably, Sen has made use of strong external effects in the story. These effects manifest themselves in the form of 'meddlesomeness' by both individuals in one another's private affairs. Bernholz [10] points out that the well-known Fundamental Theorems of welfare economics explicitly assume a complete absence of externalities. Thus, it is obvious from these results themselves that the presence of

external effects would lead to a break-down of Pareto-optimality. He alleges that Sen's paradox, therefore, is simply a trivial variant of this well-known result.

We believe that this conclusion is unwarranted. The fundamental theorems are concerned with the properties of competitive equilibria in the absence of externalities. On the other hand, Sen's result pertains to the **desirability** of the Pareto criterion. Thus, the subject-content of the two results is quite different.

1.4 The Liberal Paradox : An interpretation

The paradox may be viewed, in one (though not the only) important way, as a conflict between the philosophies of utilitarianism and libertarianism. Briefly, these philosophies contain strong flavours of certain elements which seem to be placed in positions that are inimical to one another.

Utilitarianism is the resultant of consequentialism and welfarism. Under this school of thought, the ordering of different social states requires information regarding only individuals' utilities in those states. It neglects all other features of the world and other ethical and value judgements associated therewith. Thus, by default, the utilitarian framework believes that no other moral belief (for eg. equity, justice, fairness etc.) is of autonomous importance while comparing various social states. It is this narrowness of utilitarianism that Sen is arguing against⁴.

The core of liberalism is based on a deontological appeal. Deontologists believe that actions should be judged not on the basis of their consequences (as all consequentialists, and therefore all utilitarians believe) but by the yardstick of 'fair' rules. Hence, their analytical focus is entirely upon the existence, construction and critique of such rules.

The liberal paradox brings together these distinct considerations. In the process, it is found that the welfaristic and the deontological elements of the two philosophies are inconsistently placed with respect to one another in certain situations. Crudely put, the Liberal Paradox proclaims that socially desirable (in the welfarist sense) consequences may be achieved in some situations only by defying deontological norms. On the other hand, strict adherence to such norms can lead to socially undesirable (in the welfarist sense) situations.

1.5 Parallels with the Prisoner's Dilemma

Ben Fine [26] has pointed out that the structure of the preferences (for a slightly modified version) of the Liberal Paradox is identical to the one for the Prisoner's Dilemma.

The modified preference orderings are

prude : **c a b d** ; lewd : **d a b c**

where **d** is a newly incorporated state of the world denoting a situation where both individuals read the book. (This modification, obviously, entails the existence of more than a single copy of 'Lady Chatterly's Lover').

The observation is, no doubt, meritorious. It also highlights the need for understanding the context under which social choices are made since two 'opposite' conclusions emerge from the structurally identical 'dilemmas'. However, it is possible to construct the liberal paradox devoid of a Nash equilibrium. This may be done by letting one of the individuals not possess a dominant strategy⁵.

1.6 Basic and non-basic value judgements

The paradox may also be interpreted as proclaiming that the philosophies of libertarianism and utilitarianism cannot be simultaneously basic⁶ to an individual. Therefore a 'consistent' individual may assume one of the following positions:

- (a) the libertarian condition is basic and utilitarianism is not ;
- (b) utilitarianism is basic and the libertarian condition is not ;
- (c) both are non-basic.

If an individual adheres to either position (a) or (b), it may be said that, he subscribes to an 'ethical hierarchy' i.e. in all situations where such a conflict arises, he would consistently and systematically, sacrifice one set of ethical beliefs and uphold the other. On the other hand, an individual adhering to position (c) would decide which system of ethics he ought to retain depending on the singularities of the case. Amartya Sen's stance falls in this last category.

Notes

- 1 Though Sen's presentation was couched in the Arrowian framework, the arguments have been translated into game-theoretic and other terms as well.
- 2 In all but one (that is, Hansson [35]) analyses of the Liberal Paradox we come across in the literature, it is assumed that individual preferences correspond to individual choices i.e. each individual chooses what he prefers and that he prefers what he has actually chosen. This is a restrictive assumption though it does not, in any important sense dislodge the conflict. The issue is discussed in detail in chapter five.
- 3 Henceforth, the preference structure(s) shall be denoted in this manner.
- 4 Bernholz [10] argues that Sen's stress on liberalism is unwarranted since it may be shown that utilitarianism is inconsistent with a whole set of other value judgements. This is clearly a misinterpretation of Sen's stance. His stress is not on the 'goodness' of liberalism; rather, it is on the 'badness' of utilitarianism. The inconsistency of utilitarianism with other ethical categories as well does not undermine Sen's thesis. On the contrary, it lends it a great deal of support.
- 5 Refer to Sen [81].
- 6 For a fuller discussion of basic and non-basic value judgements, see Sen [73].

CHAPTER TWO : UTILITARIANISM

2.1 Introduction

The term 'utilitarianism', originally coined by Jeremy Bentham (but associated with both James Mill and John Stuart Mill as well) became prevalent in the 1820s. Known as Philosophical Radicalism in its early days, it connoted an ideology based on sensationalist psychology, ethical hedonism, classical economics and 'democratic' politics. Contemporaneously, it inspired an influential movement of reform in English law and politics. But more important, in the long run, the philosophy of utility as articulated by Bentham and revised by his successors has continued to influence the theoretical debates that have dominated economics, sociology and moral and political philosophy.

Utilitarianism may be regarded as the intersection between two different kinds of theories. One is a theory of the correct way to assess or assign value to states of affairs, and it claims that the correct basis of assessment is welfare, satisfaction or people getting what they prefer. This theory, one component of utilitarianism, has been called **welfarism**. The other component is a theory of correct action, which claims that actions are to be chosen on the basis of the states of affairs which are their consequences : this has been called **consequentialism**. Utilitarianism, in its central form, recommends a choice of actions on the basis of consequences; and assesses consequences in turn, in terms of

welfare. Thus, utilitarianism is a species of welfarist consequentialism. The specific form that it assumes simply requires adding up individual welfares or utilities to assess the consequences, a property that is sometimes called **sum-ranking**.

2.2 'Act' and 'rule' utilitarianism

The most important distinction developed within modern utilitarianism is that between 'act' and 'rule' utilitarianism. This distinction has to do with the proper procedure for determining consequences.

Act utilitarianism is the view that the rightness or wrongness of an action is to be judged by the consequences, good or bad, of the action itself. It may be said that act utilitarianism holds the agent to an impossibly exigent standard of behaviour. The most serious objections, however, have centred on the possibility that the course of action that would be chosen on act utilitarian principles would clash violently with common-sense moral judgements. The following two examples serve to illustrate the nature of this objection. The former illustrates the weakness inherent in welfarism while the latter exposes the shortcomings of consequentialism.

Goodwin argues that the philosophy of utilitarianism dictates that if given a choice between saving one's mother from a burning building and saving a great man (whose works were more likely to benefit mankind), one ought to save the

great man and leave one's mother to fire. McCloskey offered an example involving not personal but public ethics. A small town Sheriff would be able to prevent serious public disturbances (in which hundreds would surely die) if he were to execute an innocent person as a scapegoat. A strict utilitarian would have to recognize that, on his principles, the correct moral choice would be to kill an innocent person. Utilitarianism, then, seems to commit one to the possibility of acting in ways abhorrent to the common-sense of domestic obligation and justice. To avoid these implications, many philosophers ascribe to its variant : rule utilitarianism.

Rule utilitarianism is the view that the rightness or wrongness of an action is to be judged by the goodness or badness of the consequences of the rule that everyone should follow in like circumstances. A rule utilitarian assesses the rightness of the action by asking whether it would have good consequences if it became part of general practice. Thus general rules, like 'promises must be kept' are given moral status indirectly through their role in fostering long term utility. However, attempts to defend a distinctive rule utilitarian position have proved problematic. Either rule utilitarianism collapses into act utilitarianism in disputed cases (this is because any rule which can be formulated must be able to deal with an indefinite number of unforeseen types of contingencies) or it departs from the particular utilitarian viewpoint by asserting that some rules are so necessary as to become good in themselves. The Paretian

Liberal paradox throws up questions of this nature to the rule utilitarian.

Act utilitarians may be further classified. Bentham, who thought pleasure to be uniform across different activities, could be classified as a hedonistic act utilitarian. Moore, who believed that some states of mind, such as those acquiring knowledge, had intrinsic value quite independent of their pleasantness, can be called an ideal utilitarian. Mill seems to occupy an intermediate position. He held that there are higher and lower pleasures. Smart terms Mill to be a quasi-ideal utilitarian.

2.3 Bentham's theory of utility

Some of the central propositions of Bentham's thought continue to influence philosophical utilitarianism till this day. These may be outlined as

- (1) individual well-being ought to be the end of moral action
- (2) each individual is to 'count for one and no more than one' and
- (3) the object of social action should be to maximise general utility (in Bentham's phrase, to promote the greatest happiness of the greatest number).

A major difference between Bentham and the earlier utilitarians was that he aspired to be both scientific and systematic. He held a reductionist version of the empiricist theory of mind in which ideas, born of sensations, were

formed by mental associations prompted by urges of pleasure and pain. He assumed that there was a correct association of ideas that would yield a corresponding rationalised language and believed that this rationalisation of language was a necessary prerequisite to the proper calculation of self-interest. Beside this, Bentham stated unequivocally that pleasure is homogeneous and thus quantifiable and even used mathematical metaphors to convey this. In attempting to be 'scientific' he also gave detailed and systematic attention to 'sanctions' i.e. painful disincentives to action. Unlike the theological utilitarians, he neglected the godly sanctions and concentrated on those earthly penalties of public opinion and legal punishment that could be placed under the influence or control of the legislator.

Bentham's importance lay in judiciously using his utilitarian ideas to attack both the authority of custom and the 'anarchical philosophy of natural rights'. In his arguments against the language of rights, he made two powerful claims viz.,

- (1) rights are not anterior to political society but are created by law; hence an inalienable or non-legal right is a self-contradictory notion and
- (2) a philosophy of natural rights offers no way to adjudicate the competing claims of such rights to priority; a non-legal moral right is a criterionless notion.

If natural rights offered no clear theory to guide moral or social choice, utility, according to Bentham, did offer such guidance. The main body of his work lay in substituting utility for alleged logical fictions as a rationale for legislation. Bentham was a Smithian in economics and a radical democrat in politics. The logic of the original connections between utilitarianism and economic and political reform becomes clearer by considering the ideas of James Mill.

2.4 James Mill and Philosophical Radicalism

Bentham's work on sanctions (and some of his theoretical statements) suggested that individual interest would have to be associated 'artificially' through the manipulation of legal penalties. At the same time his faith in the general harmony between individual interests and the public interest implied that interests are harmonised 'spontaneously.' James Mill and the Philosophical Radicals resolved this tension decisively in favour of the latter conception. Underlying the Philosophical Radicals programme lay the belief that the sum of enlightened self-interests would yield the general interest in both economics and politics.

In economics, the Philosophical Radicals endorsed the 'system of natural liberty' and the classical economic programme of competition, minimal state interference, free trade and the abolition of monopolies. Given the rule of law necessary to produce a sense of individual security, men

would be spurred to productive labour and to a rational pursuit of their interests by the operation of the natural sanction of hunger and desire for satisfaction. Self-interested exchanges would then lead to the establishment of ever wider markets and eventually to the production of the greatest possible satisfaction of wants. The principle of 'utility' was thus linked to an economic programme; however the central problem of theoretical economics i.e. the notion of 'value' was not conceptualised directly in utilitarian terms.

2.5 The views of John Stuart Mill

The most famous proselytizer of Philosophical Radicalism, and its most notable apostate, was John Stuart Mill. Mill was the last thinker to attempt to integrate a utilitarian moral and social theory with full blown psychology and a theory of politics. In politics, Mill came to distrust the tendency to uniformity that he perceived in democracy and to seek a theory of counterpoise and leadership. In economics, he was both the last important thinker in the classical tradition and a sharp critic of existing capitalism.

Mill shared Bentham's psychological hedonism but objected to his narrow materialistic view of pleasure and to his theory of egoistic hedonism (i.e. the notion that every person ought to maximise his own pleasure). To meet the first problem Mill proposed his defence of qualitative

differences in pleasure, a defence that only contributed to the common view that his book on utilitarianism is a casebook of logical blunders. For, if there are higher and lower pleasures another standard than pleasure is clearly implied as the criterion of judgement between them. To meet the second objection, Mill stated that utilitarianism is a system of ethical hedonism i.e. that the criterion applied to individual moral action is general happiness and not individual interest. He moved away from Bentham's tendency to see the problem as one of 'conditioning' the agent to recognize the general interest as his self-interest and offered a more sophisticated theory of sympathy or disinterested altruism and its empirical connections with a sense of justice. The power of Philosophical Radicalism as it entered the ideological arena was that it fused psychology, economics and moral and political theory into a compelling 'fit.'

2.6 The influence of Utilitarianism

Contemporary interest in the philosophy of utilitarianism lies in it being an exemplar of a 'type' of analysis, albeit a type often held to be radically defective. However, it has served and continues to serve as a point of departure in discussions of economic, social and moral theory.

The influence of utilitarianism on economics is perhaps more overt than it has been on other social sciences. The

principle of diminishing marginal utility, which was to give a decisive turn to the evolution of modern economics when applied to the determination of value, was clearly stated by Bentham for the case of money (Principles of the Civil Code, 1802). However, the roots of the marginalist revolution cannot be traced to the formulations of the original utilitarians in any straight-forward way. The early marginalists, however, continued to think of utility in terms of the pleasurable sensations associated with consuming a good. They generally defended the cardinal measurability of utility; some even dreamed of a hedometer to measure it!

The idea of welfare economics of determining a "welfare function" is irreducibly utilitarian in the sense that it seeks to measure individual want, satisfaction and to construct indices of utility. Although, the problem underlying welfare economics is today construed differently - not as measurement of pleasure but as ranking of preferences - the analysis is still fundamentally akin to Bentham's calculus. Economists acknowledge their debt to the utilitarian masters, yet deep divisions remain about what sort of issues a utilitarian theory of social choice can illuminate and about whether the anticipated solutions are morally compelling.

2.7 Philosophical utilitarianism

There are three separate but related issues that have been crucial in the evolution of utilitarian moral theories.

The first, that of justifying the imperatives of utility, has produced a measure of agreement among contemporary utilitarians and at least some of their critics. The second and third, how to decide what is a good consequence, and how to determine the right way to assess these consequences, have spawned a host of subtle distinctions that continue to preoccupy and provoke theoretical argument.

The problem of justification in utilitarianism is best approached through the work of Henry Sidgwick (*The Method of Ethics*, 1874). Sidgwick argues that desirable or pleasant states of consciousness are the only intrinsic good but he presents this principle as a moral imperative, (implicit in common-sense morality), not descriptions of actual behaviour. Sidgwick narrowed the focus of utilitarianism to a theory of moral choice, theoretically separable from any particular metaphysical doctrine, psychological theory or political and institutional programme.

A second issue that has been important in debates within the utilitarian moral tradition is the problem of how consequences are to be defined. A 'consequentialist' moral theory is one in which the results of actions, not the motives to action, are the objects of rational assessment. The classic discussion of this issue took place within the rubric of hedonism; pleasure - in narrow or more expansive terms - was the desired end of moral action. In this context, it may be mentioned that G.E. Moore (*Principia Ethica*, 1903) offered a theory of 'ideal' utilitarianism that

As consequentialist, and in line with Moore, argued that pleasure was the good of man. The goods among which he included truth and beauty. In exploring this issue, Paul Popper developed the so-called 'preference' utilitarianism which argues that moral experience is largely concerned with the prevention of harm to others.

Among many contemporary thinkers the problem of defining the good is thought to be obviated by considering the good in terms of maximising 'preference'. The power of legitimation falls, in this view, on the process of choice, not on what is chosen. Despite the apparent methodological advantages of this reformulation, the constraints imposed by the process of 'sum ranking' and by the theory of rationality, as well as by common empirical assumptions about what people do in choice, lead choice based utility to resemble the outdated notion of maximising 'well-being' or 'interest'.

2.8 Criticisms

One line of criticism of utilitarianism has always been 'technical' i.e. it has referred to the impossibility of inter-personal comparisons of utility. The idea that utility is cardinally measurable was based on Bentham's concept and has always been criticised on the grounds that pleasures are incommensurable. Far from solving these problems the economic theory of social choice has merely transposed them into different terms.

A related but more fundamental line of criticism asserts that utilitarians misconstrue the moral experience and in doing so might often overlook the claims of justice. Expediency and justice are at some level qualitatively distinct. Maximising utility in terms of the former may result in neglecting the latter. Nineteenth century critics focussed on the inability of utilitarians to comprehend duties towards God and country, and hence emphasised the virtues of 'excellence', 'reverence', 'nobility' and 'honour'. Twentieth century critics focus on the lack of understanding of the moral person and of duties of oneself (hence their emphasis on 'integrity', 'commitment' and 'self-respect'). Implicit in both these views is the judgement that the psychological assumptions that utilitarianism must make are so narrow and implausible as to render the theory either inadequate or positively pernicious.

Finally, there is the problem of the cultural and institutional correlates that accompany the adoption of utilitarianism as the criterion of social justice. The institutional implications of preference utilitarianism have not been extensively discussed, but they have aroused numerous fears and doubts among its critics. For one, the ambiguity present in Bentham's use of the concept of interests has been criticised. On the one hand Bentham takes interests "as they are". On the other, he distinguishes between existing interests and interests that are "well understood". Both conceptions have led to misgivings about the institutional implications of utilitarianism.

The idea of giving people what they happen to desire, or what they 'prefer' seems to be both benevolent and non-intrusive. Yet, as social theorists have long pointed out, what grounds do we have for accepting the 'givenness of wants'? Within debates over social choice, this issue has re-emerged in the form of the question 'why should individual want satisfaction be the criterion of justice and social choice when individual wants themselves may be shaped by a process that pre-empts the choice? The use of existing preferences - especially given the severe restrictions on the types of preferences that can usefully be considered - may be a way of predetermining certain outcomes, of reinforcing what people regard as likely or possible in the present situation.

2.9 Conclusions

Utilitarianism began and continues to be developed on the premise that intuitions of the divine, of tradition or of natural law or rights have been discredited beyond rehabilitation as criteria of moral choice in a secular world shorn of metaphysics. Yet this view which has always been challenged is being contested even today. Insights into the underlying structure of social life once again sought in 'contract', 'rights' or 'community' by thinkers who argue that other traditions of thought correspond better to the articulation of dilemmas of moral and public life.

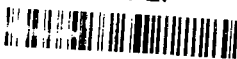
It is argued by such academics that utilitarianism, in each of its forms, takes a remarkably narrow view of persons.

TH-4030

It sees persons only as locations of their respective utilities. Once note has been taken of a person's utility, the philosophy has no further interest in information about him. Each component of utilitarianism (vis, welfarism, sum-ranking and consequentialism) contributes to this narrow view. By virtue of welfarism, a state of affairs is judged exclusively on the basis of utility information related to that state. This reduces the collection of diverse information about the persons in that state into n bits of utility. Sum-ranking then merges the utility bits together as one total lump, losing in the process both the identity of the individuals as well as their separateness. The distributional characteristics of the utility vector are also lost. Finally, consequentialism carries this informational constraint from judgements of states to moral assessment of all variables - actions, rules, institutions, etc. - since everything is judged ultimately by the goodness of states of affairs.

Utilitarianism, therefore, takes no interest at all in the non-utility characteristics of either those who take that action or those who are affected by it. This drastic obliteration of usable information causes some casualties. The indifference to the separateness and identity of individuals, and consequently to their aims, plans and ambitions, and to the importance of their agency and actions, contributes to this neglect.

DISS
330.1543
Se75 Li



TH4030



Nevertheless, utilitarianism apparently has a special status in the evolution of modern social inquiry, not just because well being is the modern obsession or because the model of 'science of economics' is 'seductive' in an age of science, but because utilitarians claim to offer a criterion of neutrality among competing conceptions of the good life in a pluralistic and antagonistic world. Thus, to many, some version of the theory of utility has a compelling claim to our intellectual attention. If it is ultimately rejected it is because of the need to go 'beyond' it. Utilitarianism has achieved a paradoxical status; it dominates the landscape of contemporary thought in the social sciences not of its own commanding presence, but because it has been necessary to create and recreate it in order to map out the relevant terrain.

CHAPTER THREE : LIBERALISM

3.1 Introduction

Liberalism is the theory and practice of reforms which has inspired two centuries of modern history. A product of the English Revolution of the seventeenth century, it spread to many countries in wake of the American and the French Revolutions of the eighteenth century. During the nineteenth century it underwent changes which are perceived differently by various academics. According to some, it 'died', according to others it gave way to socialism and yet others perceive the social reforms of the late nineteenth and the early twentieth centuries as achievements of the new liberalism.

With renewed interest in the ideas of liberalism, it becomes imperative for us to distinguish amongst classical liberalism, social liberals and neo-liberals.

3.2 Classical liberalism

Classical liberalism is a simple yet dramatic philosophy. Its central idea is that people must be allowed to follow their own interests and desires, constrained only by rules which prevent their encroachment and the liberty of others. This idea reflects itself clearly in the vision of Hayek.

Fundamental-institutions in society are the 'results of human action but not of human design'. Thus, Hayek perceived economic phenomena as a striving towards spontaneous order. Such an order in the market place gives rise to the use of prices as signals. A system of coordinated and mutually reinforcing signals leads to a process of market competition. Hayek's notion of competition, as distinct from the neo-classical interpretation, connotes a process of market agitation kept in motion by complete freedom in the form of competitive entrepreneurial entry. This, he argued, was a process that could accomplish the discovery of possibilities and preferences that nobody had realised hitherto.

However, even liberals regard the presence of some degree of coercion to be necessary in society, if only to ensure that the rules of order are effectively enforced. This coercive power is minimal in spirit and is vested with the state in order to prevent any kind of coercion amongst members of that society.

3.3 'Objective' rules?

Liberalism has obvious consequences for economic, social and political thought. Its economic application was the most obvious and remains the most familiar. Given a set of 'fair' rules and an atmosphere where individual interests are allowed free reign, some theorists assume that the scene is set for the operation of the market. Social liberals contest this view.

For, the notion of 'rule of law' is not without ambiguity. Rule of law is equivalent to the set of rules of the game applying to all and regulating the social, economic and political processes in society. In theory, such rules are intended not to prejudge the outcome itself. But in practice every conceivable rule is value-laden and hence a subjective construct¹.

3.4 Social liberals

Social liberals argue that the ethic of liberalism, as applied to economics, does not, by itself, imply that the market forces should be unleashed². For, they argue that theorists who believe otherwise are making an implicit assumption with regard to the ethical foundations of the notions of 'private property' and/or 'laws of inheritance'. Without this last pair of additional and crucial assumptions, the chasm between the philosophies of liberalism and the market cannot be bridged.

Arguing in the same vein, one might assert that a system other than a market economy may well produce a more liberal society. The opportunity set of each individual, in a market economy, gets determined by his or her economic power. Hence, one may believe that the market is not a neutral institution i.e. the norms of private property and inheritance do prejudge the societal outcome. Such a view would profess that the market favours certain players to the systematic disadvantage of the others. In other words, if

'coercion' is defined simply as deliberate interference with liberty, it may follow that the market provides greater opportunities for individuals to escape coercive (that is, deliberate) interference with liberty. However, it does not follow that such a system minimises restrictions on liberty, including 'non-coercive' restrictions which emerge as the cumulative results of multitudes of actions which are not themselves cases of deliberate interference.

3.5 The new climate

With the stagflation of the seventies and large-scale unemployment in the eighties, the social state got out of hand. Keynes' theory was spent. The new climate gave rise to elements of a new theory of liberalism. A return commenced to the original project of asserting society against the state, the market against planning and regulation and the right of the individual against the overpowering authorities and collectivities. Friedman, Nozick and Buchanan are amongst the leading lights of the new wave that has a distinct accent on the notion of rights of man.

3.6 The notion of rights

Throughout the history of liberalism, the question of certain substantive rights of man has been an important issue. The inviolability of the person and the rights of free expression have been liberal causes along with constitutional rules. Within the liberal school there are substantial differences vis-a-vis the conceptualisation of

such rights. Certain unmistakable tension, therefore, has always existed between liberal thought and the notion of natural rights.

The aim of a Nozickean right to liberty is to empower the agent to chose alternatives (that concern him and him alone) he prefers or deserves most. One of the ways to formulate this preference based right is in terms of Arrow-Sen social choice theory. This formulation holds that a libertarian right is a claim for power of decisiveness over a protected sphere of outcomes or social states, each of which involves a complete description of society. If some pair of social states (x,y) differs solely in terms of features held to be private to person i , person i 's libertarian right over (x,y) empowers him to be decisive both ways over it. That is, when a person i prefers x to y (respectively y to x), then society ought not choose y (respectively x) in a situation where x (respectively y) is available.

Many theorists have argued against the Arrow-Sen formulation. Some of these advocate the use of the game form which they believe to be more suitable to the notion of liberty and does not possess the encumbrances of the Arrow-Sen formulation.

3.7 Concluding Remarks

In sum, the libertarian's premise that there is a general moral right to negative liberty (that is, against coercion) may be understood either as claim about a prima facie right or as a justified moral claim, all things considered. The former is intuitively plausible but it does **not** follow that a presumptive moral claim is the only weighty ethic. On the other hand, the libertarian cannot support his contention that a right against coercive action is broad enough to rule out such actions altogether by simply an appeal to intuition. Clearly, in certain circumstances, there might exist certain other ethical factors that may call for sacrificing purely deontological considerations. This conclusion is also brought home by an analysis of the Liberal Paradox.

Notes

- 1 Nayak's critique [53] of Nozick's "Anarchy, State and Utopia" is argued on similar lines. It is based on the premise that there cannot logically be any historical theory of acquisition free of patterning.
- 2 It may be noted that Mill also dissociated his defence of individual liberty from laissez faire. Trade and ownership in his views were essentially social matters and could be regulated by society; the ethic of liberty however, would demand that these be regulated in a manner that promoted freedom and individuality. Liberty could wholly be consistent, therefore, with a decentralised socialist society.

CHAPTER FOUR : THE STRUCTURE OF THE DEBATE

4.1 Introduction

It would be useful to review a few basic concepts of social choice theory before we turn our attention to the structure of the debate and review its major arguments.

A social choice context is an environment in which members of society are faced with a set of options. The alternatives in this set are mutually exclusive social states. Some scholars construct the social choice function based on the social weak preference relation which, in turn, depends upon individual orderings. Others simply skip the intermediate step (construction of the social weak preference relation) and attempt the construction of the social choice function directly on the basis of individual orderings. Either way, social choice depends entirely upon the preferences of the members of that society.

In the context of social choice theory, it is true, by definition, that the range of collective choice rule is non-empty. Therefore, whenever a collective choice rule yields an empty choice set, a 'contradiction' is reached. A large number of the impossibility results in the literature force the impossibility by arriving at such contradictions.

Let X ($\#X \geq 3$) be the finite set of alternatives and S be the family of all non-empty finite subsets of X (that is, $S = 2^X - \{\emptyset\}$, where 2^X is the power set of X) and A be a

member of S . A can be interpreted as the agenda.

A preference ordering R_i of X is the set of all pairs (x, y) such that x and y are in X and individual i finds x to be at least as good as y . This will be denoted by xR_iy . P_i and I_i are assumed to be the asymmetric and the symmetric factors respectively of R_i .

Society consists of n individuals ($n \geq 2$), numbered as $i = 1, 2, \dots, n$. Let R be the social binary weak preference relation. Let T be the set of all orderings of X . We define H as the cartesian product of n individual orderings. Therefore,

$$H = T^n = T * T * \dots * T \text{ (n times)}$$

Further, let F be a collective choice rule that aggregates each and every profile $R = (R_1, R_2, \dots, R_n) \in H$ of individual preference orderings on X into a social choice function $C = F(R)$ on (X, S) .

A collective choice rule that yields a social weak preference relation that satisfies reflexivity, completeness and transitivity is termed a (Arrowian) social welfare function (SWF). On the other hand, a social decision function (SDF) is a collective choice rule that yields a social binary weak preference relation that satisfies reflexivity, completeness and acyclicity. Therefore, a SWF is also a SDF but the converse is not necessarily true.

4.2 Sen's theorem

We now define certain key concepts before analysing Sen's theorem.

Unrestricted domain(U):

Every logically possible set of individual orderings is included in the domain of the collective choice rule.

Decisiveness:

A set of individuals V is decisive over a pair of alternatives x , y if whenever all members of V prefer x to y , then society prefers x to y and whenever all members of V prefer y to x , then society prefers y to x .

The next two definitions are related to the identification of such decisive sets.

The Pareto criterion:

If every individual prefers an alternative x to another alternative y , then society must prefer x to y .

Condition of libertarianism:

For each individual i , there is at least one pair of alternatives say $\{x, y\}$ over which he is decisive.

Condition of minimal libertarianism:

There are at least two individuals in society such that for each of them there is at least one pair of alternatives over which he is decisive.

The Liberal Paradox:

There exists no social decision function that can simultaneously satisfy the conditions of unrestricted domain, the Pareto criterion and the minimal libertarianism.

Proof:

Suppose there exists a SDF that satisfies the conditions of unrestricted domain, the Pareto criterion and the minimal libertarianism. Let the two decisive individuals be Mr.1 and Mr.2. Let them be decisive over the pairs of alternatives (x, y) and (z, w) respectively. There are three cases to be considered:

- (i) Both elements of the pair (x, y) are identical to the elements of the pair (z, w) .
- (ii) The pairs (x, y) and (z, w) have exactly one element in common.
- (iii) The pairs (x, y) & (z, w) are disjoint.

Case (i)

This is a trivial case. Without loss of generality, let $x = z$ & $y = w$. Let $x P_1 y$ & $w P_2 z$. By Mr.1's rights, $x P y$. By Mr.2's rights, $y P x$. This is clearly a contradiction.

Case (ii)

Without loss of generality, let $x = z$ and y & w be distinct. Let $x P_1 y P_1 w$ & $y P_2 w P_2 x$. By Mr.1's rights, $x P y$. By Mr.2's rights, $w P x$. By the weak Pareto criterion, $y P w$. Therefore, we have $w P x$, $x P y$ and $y P w$ which is a social preference cycle and the choice set is empty.

Case (iii)

Let all the four elements be distinct. Let $z P_1 x P_1 y P_1 w$ and $y P_2 w P_2 z P_2 x$. By Mr.1's rights, $x P y$. By Mr.2's rights, $w P z$. By the weak Pareto criterion, $y P w$ and $z P x$. Therefore, we have

wPz , zPx , xPy and yPw which again gives rise to a social preference cycle. Therefore, once again, we reach a contradiction and the theorem is proved. ■

4.3 Observations and coments

The paradox does seem to be fairly disturbing since the proof of the theorem uses the minimum of assumptions. Not only does it demand only an acyclic social weak preference relation instead of a social ordering (as used by Arrow) but also, it does not invoke the assumption of independence explicitly (again, as done is Arrow's General Possibility Theorem).

It is obvious that, to resolve the paradox, a suitable alternative to one (or more) of the assumptions of the theorem would have to be found. These assumptions may be stated in brief as follows.

- (1) The theorem is presented in the Arrowian framework.
- (2) It assumes an unrestricted domain of the collective choice rule.
- (3) The theorem employs the philosophy of utilitarianism in so far as it gives importance solely to individuals preferences over various alternatives. To this end, it uses the weak Pareto criterion as a 'desirable' condition.
- (4) It uses only ordinal utilities.
- (5) It attempts to incorporate the philosophy of liberalism

through Sen's libertarian condition.

- (6) Finally, the result is precipitated by making pair-wise comparisons between various alternatives.

4.4 Outlining the resolution schemes

Several authors have criticised one or more of the above assumptions. Below, we briefly outline the arguments forwarded by them and the resolution schemes associated therewith.

The neo-liberals

The neo-liberal school believes that the structuring of norms for social organisation requires only deontological considerations. All 'patterned' or consequentialist procedures are viewed either as coercive or irrelevant. This school attacks the consequentialist aspect of Sen's libertarian condition.

The 'pluralists'

Certain philosophers argue for the need to go 'beyond' welfarism. Since welfarism takes into account only the preferences of individuals, it neglects all other features of the world and other ethical and value judgements associated therewith. By default, therefore, such a belief advocates that no other ethic (for example equity, justice, fairness etc.) is of **autonomous** importance. These authors argue for a secular outlook while ordering social states.

While the neo-liberals completely reject utilitarianism

as a moral philosophy, the latter school takes a 'softer' stand by arguing for the incorporation of a **whole set** of value judgements.

The 'anti-Arrovian' school

The Arrovian framework is viewed by some liberal academics as suffering from a 'synoptic delusion'. Moreover, it is argued, that this feature of the framework leads to illiberal consequences through the structural requirement of a 'dictatorial decision maker.'

Dichotomy between preference and choice

Actual choices made by individuals in society may not always conform to their personal preferences. For, in addition to one's desires, extraneous pressures impinge on one's actual decision-making. Therefore, subscribers of this view argue that the assumption of 'minimal preference based choice' is a restrictive one.

The cardinalists

Utility structures, if at all they do exist, may be cardinal or ordinal in nature. Since the former category reveals far greater information than the latter one, some authors argue that its use can lead to a possible resolution of the paradox.

Rationality in the Arrovian framework

The Arrovian framework also assumes that all agents in society are rational. Moreover, it entails that social choices are rationalisable by a binary social weak preference

relation. A violation of this assumption and the use of a non-binary framework, it is hoped, would dispel the impossibility.

Domain restrictions

Within the Arrovian framework, the domain of the social choice function may be restricted. Alternately, in certain plausible situations, it may be suitably restricted. Such a restriction, it is argued, can lead to a resolution.

The Utilitarians

Die-hard utilitarians, believe that deontological considerations are unnecessary. For they believe that the utilitarianism is all-encompassing in nature. Therefore, such constructs (for example the notion of rights) can satisfactorily be incorporated within the structure of utilitarianism.

The weak Pareto criterion

One of the weakest assumptions of social unanimity that is dictated by welfarist considerations is regarding the validity of the weak Pareto criterion. Though the criterion, at first sight, seems to be extremely plausible, analyses of it have shown that its mechanical use may lead to highly illiberal societies. An example of such a result is the Paretian epidemic (Sen, [77])¹.

Minimal libertarianism

Sen's formulation of libertarianism is vehemently

criticised by a host of academics. Some criticise its existential format and others its very structure.

All of these views are analysed in greater detail in the next chapter. It is found that though some of the arguments and points of view do carry some force, other turn out to be based on certain misunderstandings.

4.5 Fallacies of interpretation

One of the major malaises affecting social choice theory in a big way is the fallacy of interpretation. Misunderstandings about the content of the social choice propositions are partly the fault of social choice theory itself. Its language, though precisely formulated, tends to be remote from the standard language of social and political philosophy. There is need to clarify the different substantive contents of a given result corresponding to different interpretations of such concepts as social preference, and also to relate these different contents to the traditional issues of social and political philosophy. To wit, take the phrase "society cannot choose y " in the last but one paragraph. Sen believes that this can be interpreted in three different ways.

- A** Outcome evaluation: " x is judged to be a better state of affairs for the society than y ";
- B** Normative choice: "decision making in the society should be so organized that y must not be chosen when x is available";

C Descriptive choice: "social decision systems are so organised that y will not be chosen when x is available".

Within these three broad interpretations, there are, of course, further distinctions, based on the context of the statements. For example, the outcome-evaluation statement can reflect a particular person's moral judgment, or the result of the application of some evaluation procedure (e.g. yielded by a particular "objective function" used in planning or policy making).

Thus there are several distinct interpretations of "social preference" in social choice theory and, correspondingly of "liberty" in that framework. The "Impossibility of the Paretian liberal" holds under each of these interpretations, but has correspondingly different - though related - contents. As we shall observe later, some parts of the debate suffer due to misinterpretations of the variety outlined above.

Notes

- 1 It may be further argued that, since whenever the weak Pareto criterion holds, non-imposition must also hold. In such a situation, it might be possible to generalise the above, unpalatable result. A moment's reflection shows that this is indeed the case. The neutrality content of non-imposition is the 'mischief-maker.'

CHAPTER FIVE : A REVIEW OF THE LITERATURE

5.1 Introduction

The purpose of Sen's seminal paper [74], published in 1970, is to demonstrate that even the mildest of libertarian conditions is incompatible with the mildest of, and a widely used, welfarist criterion viz. the weak Pareto criterion¹. Though the dilemma does not hold in all conceivable circumstances, the distinct possibility of it arising in even a few plausible situations is enough cause for concern. The reasons for this worry gain even more importance when it is observed that the proof of the theorem requires neither transitivity of social preference nor the condition IIA (Independence of Irrelevant Alternatives) - these being necessary for the proof of Arrow's theorem. Condition IIA, in particular, is believed to be fairly restrictive. However, it is clear that Sen's theorem does make use of independence properties, as pointed out by Blau [14]². At the same time, it must be borne in mind that this use is only to the extent that is implicit in the weak Pareto criterion and the condition of libertarianism themselves.

5.2 Generalisations and extensions

(a) Translation to the fuzzy framework

Following Barret, Pattanaik and Salles's efforts in translating Arrow's General Possibility Theorem and related results from the exact to the fuzzy framework, Subramanian's

paper [86] does the same vis-a-vis Sen's paradox. His reformulation of the collective choice framework allows both individual and social preferences to be fuzzy and then explores the consequences for the result on 'The Impossibility of Paretian Liberal'. In spite of allowing for vagueness in personal and collective preferences, his paper suggests that the liberal paradox remains largely intact.

(b) Translation to the non-binary framework

The assumption of binary social choice functions has come under attack from various quarters. Schwartz [71], for example, generalizes the famous paradox of Arrow and then puts the blame for the occurrence of the paradox on the use of the notion of 'maximality' inherent in a binary weak preference relation. The Schwartz-type of social choice function is claimed to be superior over binary choice functions in so far as it always ensures the existence of best elements for sets of more than two alternatives, irrespective of the results of binary comparisons. Batra and Pattanaik [9] show that even a considerable weakening of the assumption of binariness does not go very far towards resolving paradoxes of the Arrow variety. Replacement of the requirement of a binary social choice function by a Schwartz type social choice function resolves these paradoxes only at the cost of choosing an alternative from a set of alternatives which is Pareto inoptimal in that set. Thus, this paper generalizes Sen's result.

This generalization is obtained by weakening three of the four conditions used by Sen and slightly strengthening the fourth. The assumptions of unrestricted domain, binariness and the condition of minimal liberalism are weakened to assumptions of a restricted domain, (i.e., the collective choice rule is restricted to domains which satisfy Single Peakedness and Limited Agreement), a non-binary social choice function, (i.e., social choice function that does not satisfy condition a) and that of minimum federalism respectively³. On the other hand, the weak Pareto criterion is strengthened (that is, extended to sets whose modality is greater than two).

Ramachandra [63] shows that a 'possibility' is obtained when, along with the generalised versions of the former three conditions, the weak Pareto criterion itself is used. In essence, though, this possibility is 'hollow'. The reason for this is that the choice set of any agenda turns out to be the agenda itself. In what sense then, is one really making a choice? This is Ramachandra's contention.

In order that the collective choice rule exhibits some semblance of choosing amongst a set of alternatives, Ramachandra posits an additional constraint. This takes the form that the choice set ought to be a proper subset of the agenda. With this (supposedly) minor modification the 'impossibility' is back. The reason for this is not hard to see. The modification postulated by Ramachandra results in the choice function satisfying binariness.

It is well-known to social choice analysts that binariness implies two successively weaker properties, α and α^* .

Definition (α) : For all $x \in X$ and for all $Y \subseteq X$, [$x \in C(X) \cap Y$] implies [$x \in C(Y)$].

Definition (α^*) : For all $x, y \in X$, [$C(\{x, y\}) = \{x\}$] implies that α [for all Y , $y \in C(Y)$ and $\sim[x \in C(Y)]$].

The contrapositive of the above statement implies that

- (i) if α^* is not satisfied, α is not and
- (ii) if α is not satisfied, the choice function is necessarily non-binary.

Batra and Pattanaik have structured their proof in the context of the latter half of the above statement, i.e., they have moved on to the non-binary framework by rejecting α . But α^* has been retained. Pressler [61] argues that not only is condition α 'unreasonable', but also that, the influence of α^* on choice functions is highly suspect. To prove his point, he constructs the following example.

"Black and White are people with divergent tastes in music who share an apartment with each other. Black loves rock music, White hates it. Moreover, each would like to see a change in the other's musical tastes. Black wants White to develop an appreciation for rock; White wants Black's love affair with rock to cool down a bit. Black figures that the best way get White to recognize rock's merits is to buy him a ticket to a rock concert and try to persuade him to take advantage of this costless opportunity to experience live rock in person. So when Black hears that the Rolling Stones are coming to town, he purchases a ticket to their concert. As it happens, this is the last available ticket, thus precluding the possibility that both Black and White will attend the Stones

concert. With only one ticket between the two of them, there remain three relevant options:

- w: White takes the ticket and goes to the concert.
- b: White declines the ticket and Black uses it instead.
- n: White declines the ticket and neither Black nor White goes to the concert".

The structure of preferences of the two individuals is identical to that of the prude and the lewd in the case of 'Lady Chatterly's Lover.' That is,

$$\langle w, b \rangle \ \& \ \langle b, n \rangle \ \in P_b; \ \langle n, w \rangle \ \& \ \langle w, b \rangle \ \in P_w$$

and $\langle n, w; \text{White} \rangle \ \& \ \langle n, b; \text{Black} \rangle$ are the rights assignments.

Pressler then goes on to construct two scenarios. When the agenda is $\langle w, b, n \rangle$, the 'reasonable' solution is w and when the agenda changes to $\langle w, n \rangle$ (say if, Black falls ill), the 'reasonable' solution is n . Hence, the presence (or absence) of alternative b causes a preference reversal for Black between the alternatives w & n . Clearly, this violates independence. Since condition α^* precludes all such reversals, Pressler concludes that

"(A): A constitution N is acceptable only if there is a preference profile, p , and a social choice function C such that for some alternative states x, y, z , $N(p) = C$ and (a) $C(\{x, y, z\}) = \{x\}$ while (b) $C(\{x, z\}) = \{z\}$."

If a constitution satisfies the constraint imposed by (A), it follows that some of the choices that it generates are non-independent. Moreover, (A) entails that there ought to be non-binary choice functions in the range of every acceptable constitution. It is Pressler's contention that if

a constitution fails to meet the constraint stated in (A), it will not assign the right choice function to certain social choice contexts.

However, this is no resolution of the paradox. For (A) above precludes the occurrence of binary social choices in all situations. In reality, the social choice function may exhibit both binary as well as non-binary choice, depending on the preference structure of individuals. And whenever such choices are made, the existence of a Paretian liberal society will be challenged.

5.3 The Arrovian framework

The Arrovian structure was developed with regard to the analysis of the relationship between individual preferences and social outcomes. The spirit behind this exercise was to 'test' the democratic nature of various constitutions or social choice functions, as they later came to be known. The preferences of individuals were taken as primitives. Therefore, by its very construction, the structure lacks some aspects of the real world. The criticisms made against the Arrovian framework are with regard to these.

(a) On its static nature

The Arrovian framework is highly restrictive in this regard since there may exist dialectical processes in the formation of individuals' preferences. In the real world, individuals often choose to structure their preferences on

other individuals' preferences as well as the trend of social outcomes. Such aspects may be captured by constructing 'dynamic' social choice situations. The following highlights one of the ways of modelling individual and social preferences in this manner.

$$R_t = f(R_{it}) \text{ and } R_{it} = g(R_{t-1})$$

where R_{it} is the preference ordering of individual i in time period t ;

R_t is the social preference ranking in time period t .

The above states that the social ranking in a given time period depends on the individual rankings in that period and that these in turn are contingent upon the social ranking in the previous time period. In other words, it is highly plausible that individual rankings are in an important sense conditioned by the dominant social view. This is particularly true during processes such as voting during elections. 'Fringe' voters support the candidate who they perceive is likely to win. The phenomenon of changing fashions is another example of this variety. The spirit behind these ideas is akin to Mill's views on democracy. Democracy or 'self-government', according to Mill, is not the government of each of us by himself/herself but the government of each of us by all the rest. People increasingly take as their only rule of conduct the need to think like everybody else.

(b) Role of expectations

Secondly, expectations play a major role in directing individuals' preference and behavioural patterns. Though

individuals' may actually prefer a certain outcome, they may choose a less preferred one. This may be true in situations where agents act atomistically and have certain configurations of expectations vis-a-vis others. Kaushik Basu's paper [7], models a hypothetical society where the power equations are structured in a manner that overwhelm it. The prolonged existence of institutions like the caste system can be explained through his simple model. All agents in society may personally have a revulsion for the caste system and yet each is an integral part of it due to the fear of social reprimand.

Individualism in the Arrovian framework

Another reason why preferences may deviate from choice in certain situations is due to the fact that the Arrovian framework treats **individuals'** preferences as its basic units. This individualistic nature of the framework cannot, by construction, capture a number of features of the real world (for example, there might be a dichotomy between preference and choice) since its organic nature gets completely ignored in this structure.

Take the following example. Mr. X is planning to get married. He is faced with two options. He could either get married in court or in the traditional manner. His (weak) personal inclination is towards the former but his parents and friends (strongly) desire that a traditional marriage takes place. Subsequently, he bows to their wishes, because

he desires to veto his weak preference in favour of his relatives' strong one. His (personal) preference and his choice, hence, do not coincide.

A social choice theorist may well argue that given Mr. X's constraints, his preference does indeed coincide with his choice. We have two objections against this position. Firstly, the definitions of choice and preference from this stance are tautological. Secondly, and more importantly, we believe that there is an important qualitative difference between exercises of the following kind (and which possess a direct analogy with the issue under consideration).

- 1) maximisation of an objective function subject to a constraint.
- 2) unconstrained maximisation of the equivalent pre-constrained objective function.

Though the outcome of these exercises may be identical, a crucial difference exists in the procedure through which the outcomes get realised.

Hansson's paper [35] also raises this issue. He introduces the social choice format with separate representations for choice and preference on the one hand, and different types of rights and legal positions on the other. Further, he shows that in his structure, weaker conditions are needed to avoid Sen's Paradox⁴ in comparison to the traditional format that does not distinguish between choices and preferences. Specifically, he shows that Sen's

Paradox can be avoided if each individual, *ceteris paribus*, prefers that his choices be respected in matters that belong to his personal sphere.

The arguments of this and the previous sub-section have been sketched to focus on one basic point, i.e., the degree of variation amongst individual preferences may not be very high in real life situations. In such scenarios, the possibility of the occurrence of Sen's paradox is greatly reduced. Clearly, therefore, these claims, do not in any way, resolve the paradox; only the applicability of Sen's theorem gets somewhat constrained.

(d) "Paradigm of the dictatorial decision maker"?

Rowley [69], Peacock and Rowley [59], Rowley and Peacock [68] and Sugden [87] make two criticisms against the Arrowian structure.

- (a) The Arrowian framework gives rise to, what they term to be, a 'synoptic delusion', i.e., the framework implicitly assumes that all knowledge (regarding the agenda, the tastes and preferences of various individuals etc.) is possessed by a single mind. They draw parallels between this aspect of the Arrowian framework and the Walrasian auctioneer of General Equilibrium Theory.
- (b) Secondly, they assert that it is this imaginary agent of the Arrowian framework who is supposed to make the actual choices. This dictatorial trait of the

framework runs counter to the very philosophy of liberalism, it is argued.

The former comment seems to be based on a misunderstanding of the Arrovian structure. The structure is simply a construct that analyses the democratic nature of different collective choice rules; it does not require that all information be possessed by a single mind for the operation of a collective choice rule.

As regards the criticism of the structure being dictatorial, this is akin to the criticism levied by authors who hold the 'control' view of liberty. Comments on this view are discussed in section 5.5.

5.4 The assumption of unrestricted domain

Should members of society be allowed to construct their preference orderings as they feel like (assuming only that these rankings fulfill the following technical requirements : reflexivity, completeness and transitivity)? For most social choice theorists, an affirmative reply to this question is almost sacrosanct. For it is widely believed, that such an answer is the very basis of a democratic framework. In that case, a free hand in constructing individuals' preferences would be permissible. The theorist is then simply conjecturing a hypothetical, yet plausible, situation.

However, the plausibility of a situation throws no light about the probability of its occurrence. In our context,

the probability of occurrence of 'illiberal' preference profiles is variedly estimated. Fine [26] and Blau [14] believe it is low. "That one of them might exhibit such a preference is remarkable enough but that both should do so seems to border on the socially pathological" (Blau [14]). To this, Sen retorts "If meddlesomeness is a disease, it is certainly not a rare disease" (Sen [77]). The issue can be settled, if at all, only by empirical experiences in specific contexts.

The issue of domain restrictions has been addressed by certain authors through a critique of Sen's libertarian condition. Campbell [20] contests Sen's perception of collective choice rule.

"Whereas Sen took this to imply a restriction on the way in which C [the collective choice rule] maps the set of feasible alternatives into a smaller choice set, in fact it implies a restriction on the domain of C".

John Craven [23] expresses an identical opinion.

"Our interpretation of liberalism leads to a restriction on the domain of the collective choice rule since some configurations of preferences are excluded."

However, nothing can be deduced from a procedure which prohibits certain configuration of individual preferences if they were to actually realize. Ruling out certain configurations in the realm of social choice theory would lead to complete silence on the part of the social choice theorist with respect to these. Thus, domain restrictions, if allowed, would imply nothing but an admission of defeat,

at least in so far as the prohibited configurations of individual preferences are concerned.

Nevertheless, the relevance of the investigation of domain restrictions is not spent. One could, from an "impossible" situation involving an unrestricted domain, try and analyse the kind of restrictions on the domain of individual preferences which would resolve the "impossibility". As Sen remarks, 'it is in this context that one can remark that "the eventual guarantee for individual freedom" may have to be found "in developing values and preferences that respect each others' privacy and personal choices."' In this spirit, Breyer [15] posits a restriction on Sen's libertarian condition that 'resolves' the paradox. However, the restriction is a fairly strong one. It demands that, of the n member society, at least $n-1$ individuals are extremely liberal⁵.

5.4 The Deontological Argument

Some theorists have argued for incorporating rights not in the evaluation of states of affairs but as deontological constraints on action in a non-consequentialist framework. In this spirit, Farrell [25] argues that the set of social states ought to be partitioned into socially equivalent subsets, the motivation for which arises from his observation that, "there is no social choice to be made between [social states] x and y , [when] they differ to a matter private to individual j ." Thus, all private matters are made to contain

a socially equivalent subset. The choices amongst such matters would be determined purely by private decisions. Nozick [35] expresses sentiments similar to Farrell's.

"The trouble stems from treating an individual's rights to choose among alternatives as the right to determine the relative ordering of these alternatives within a social ordering ... A more appropriate view of individual rights is as follows. Individual rights are co-possible; each person may exercise high rights as he chooses. The exercise of these rights fixes some features of the world. Within the constraints of these fixed features, a choice can be made by a social choice mechanism based upon a social ordering, if there are any choices left to make! Rights do not determine a social ordering but instead set the constraints within which a social choice is to be made, by excluding certain alternatives, fixing others, and so on If entitlements to holdings are rights to dispose of them, then social choice must take place within the constraints of how people choose to exercise these rights. If any patterning is legitimate, it falls within the domain of social choice, and hence is constrained by people's rights. How else can one cope with Sen's results?"

Thus, Nozick resolves the conflict by constructing a strong ethical hierarchy between the liberal principle and all other ethical beliefs, including the Pareto rule. This set up assigns to the two principles two different roles. Naturally, in such a structure the conflict cannot exist. To illustrate the point, we turn to Nozick's own example.

"If I have a right to choose to live in New York or in Massachusetts, and I choose Massachusetts, then alternatives involving my living in New York are not appropriate objects to be entered in a social ordering."

Can this then be treated as a solution to the Sen Paradox? As Sen [77] has argued, this cannot be a satisfactory resolution of the paradox.

"If I believe that it is a better society which - given other things - lets Nozick decide where he wishes to live, then I must assert that it is socially better that Nozick should be permitted to live in Massachusetts as desired by him. If Nozick is forced out of Massachusetts, then one would wish to say not only that Nozick's rights have been violated, but that society is worse off - given other things - by stopping Nozick from living where he wishes."

Nozick's argument is based on an erroneous interpretation of the concept of a social choice function. By saying that alternative x is socially preferred to y in the libertarian context, one does not mean that the alternative dismissed by the implementation of a right is, per se, socially undesirable. It is said that x is socially preferred to y as a result of the implementation of an individual's right. The existence of this right is of social value in itself, independent of the nature of the outcome of the implementation of this right. It is better for society if Nozick lives in Massachusetts precisely because he desires this⁶.

Can God, if He exists, do evil? If He cannot, He is not omnipotent and if He can, He is not morally perfect. In either case, He cannot be God, which is a contradiction. Using the above conundrum, Chapman [21] draws a parallel between the apparent puzzle it contains and Sen's reply to the Nozick-Farrell argument. He argues as follows:

"In the context of Nozick's example, Sen's interpretation amounts to saying that if Nozick chooses to live in Massachusetts rather than New York, then for the set S which includes both Massachusetts and New York alternatives, it cannot be that the New York alternatives are actually chosen by the

legislature. But it seems odd to say that the legislative choice is even being exercised over the superset S which continues to include the New York alternatives (even though they cannot actually be chosen)."

This is clearly a misinterpretation of the concept of the social choice rule. Chapman assigns to it a legislative role rather than an ethical one. This misperception leads to reading the phrase "cannot choose" as "impossible to choose." Sen's usage of the phrase, on the other hand, is based upon its ethical interpretation i.e., "ought not choose."⁷

The control view of liberty

The Nozick-Farrell view of liberty is what has been termed as the 'control' view of liberty. Under the tenets of this philosophy, the social choice structure cannot construct a preference ranking between alternatives **x** & **y** if these lie in some individual's recognised private sphere. It believes that a truly liberal society would assign control to its members directly regarding the governance of their private affairs. But is the 'control' view the only concern of the philosophy of liberalism? One may construct counterfactual exercises as well as face real life situations where the concept of indirect liberty assumes importance⁸.

5.5 Comments on libertarianism

(a) Absence of externalities

Hillinger and Lapham's paper [37] appeared close on the heels of Sen's. The paper involved a vehement disagreement with Sen with regard to the definition of liberalism. For

Hillinger and Lapham,

"Liberalism may be broadly defined as the desire not to coerce individuals to accept choices that they would not have made voluntarily. With this definition it is apparent that when the actions of one individual do not impinge on the welfare of others, then Liberalism follows as a special case of the Paretian principle. [When the action of one individual does impinge on the welfare of others,] ... there applies no general principle of Liberalism [and that] there is no general presumption in the favour of freedom of individual choice."

By definition then, Hillinger and Lapham's version of liberalism is nothing but a special case of Pareto criterion i.e. a case when externalities are completely absent. Naturally, in such a situation, the conflict between liberalism and the Pareto criterion disappears. Even a cursory glance at the two papers shows that the scenarios that they sketch, are mutually exclusive. In other words, Sen especially introduces strong external effects to prove his point. On the other hand, as soon as even the weakest of external effects begins to emerge, the definition of Hillinger and Lapham becomes woefully silent. Thus, in his reply, Sen strongly asserts that his result had nothing at all to do with the ethic of liberalism as defined by Hillinger and Lapham.

(b) On the existential form of the Sen's libertarian principle

Osborne [57] and Seidl [72] object to the formulation of the libertarian condition on the grounds that it demands too

little and is as much applicable to universal busy-bodiness as to liberalism. Hence, they point out that the Impossibility of the Paretian Liberal may well be replaced by the Impossibility of the Paretian Busy-body, if one goes by Sen's formulation. Without doubt, Osborne and Seidl are absolutely correct. But, what they fail to appreciate is that the Impossibility of the Paretian Busy-body need not bother us while that of the Paretian liberal (whose logical validity is not being contested) is a matter of deep concern. Sen's formulation of the libertarian condition does demand very little, but it shows that even this minimum requirement causes serious tension between the forces of utilitarianism and libertarianism. Indeed, this is the very strength of Sen's result.

(c) Amending of preferences

The impossibility result according to theorists like Fine & Blau, (in the words of the former), "... is hardly surprising for in a society that is unanimously illiberal, social choice condition of unanimity and liberalism should produce a contradiction".

Therefore, this indicates that one may be able to prevent the 'impossibility' from crystallising by 'liberalising' individual preferences. Fine does this by beginning with the characterization of people's wants. Individual wants could be classified either as personal wants or as essential wants. To see more clearly, what Fine is driving at, let us revert to the prude-lewd case and make the

following observations, a la Fine.

- (a) the prude essentially wants the lewd not to read the book and personally also does not want to read it.
- (b) the lewd essentially wants the prude to read the book and personally also wants to read it.

If, according to Fine, the analysis lays stress only on essential wants, the paradox can be resolved. This is so because the expression of such wants is not necessarily illiberal and these contribute to decision making in a Paretian society. Going only by essential wants, prude's preference is, $cPpb$ and lewd's preference is $aPlc$. Thus a would turn out to be the Pareto optimal social choice. The paradox can be resolved in (at least) this manner.

But Fine believes that this solution is not, in any fundamental sense a resolution of the paradox. For, a true liberal never prefers the satisfaction of an essential want over a personal want. This entails the following value judgement : a true liberal would always be indifferent to alternatives personal to others. In this regard, the prude's (respectively the lewd's) preference ordering would get modified from $bPpcPpaPpd$ (respectively $dPLbPLcPLa$) to $bIpcPpaIpd$ (respectively, $dILbPLcILA$). In this case, it is b which is the liberal and the Pareto optimal outcome.

It is clear from the first example that the meddlesome nature of the two individuals is retained and their personal wants are ignored. Blau captures in essence, an identical

notion, when he postulates a set of rules which take away the liberal privileges of meddlesome individuals in various ways under different regimes. The paradox does get resolved for a two-person world. But for larger societies, it reappears when the pairs assigned to different individuals do not have any elements in common.

Farrell's technique on the other hand, is akin to the structure of Fine's second example, where preferences of individuals over their non-decisive pairs are amended in such a manner that they are deemed to be indifferent over the decisive pairs assigned to other individuals.

Apart from the above 'objectionable' process of amending preferences, the process substitutes an unsatisfactory version of the Pareto rule as well. In itself, this is an undesirable property of Farrell's exercise. Moreover, it requires the set of decisive pairs to be self-consistent. This constraint makes rights assignment to certain individuals contingent upon that to others.

5.6 Conflicts within libertarianism

Pattanaik's paradox

Pattanaik [58] sketches a result where he shows that even individual rights and group rights may enter into a conflict with one another. The concept of group rights has been developed in order to allow coalitions of individuals to come together and jointly exercise certain rights.

The notion of such a theorem developed from an intuition of the following kind. The Pareto criterion, according to Pattanaik, could possibly be interpreted in terms of group rights, the relevant group being society as a whole. However, the intuitive basis for such a group right, as he acknowledges, is weak. On the other hand, if one "contracts" the societal set to a smaller set of individuals, the notion begins to make sense.

Structurally, the proof of Pattanaik's theorem is very similar to that of Sen's though there is an important interpretative shift. Recall that both the prude and the lewd preferred that prude read the book rather than the lewd, albeit for different reasons. This behavioural trait may be thought of as an exercise of group rights, instead of perceiving unanimity in a welfarist manner and invoking the weak Pareto criterion. This change effects the shifting of the tension from that between minimal libertarianism and the weak Pareto criterion to two libertarian concepts and hence lies entirely within the ethical framework of libertarianism itself.

The proof of Pattanaik's theorem uses the concept of conditional group autonomy. According to conditional group autonomy, if society is always prepared to respect individual i 's (respectively j 's) unconditional preference over $\langle x_i, y_i \rangle$ (respectively $\langle x_j, y_j \rangle$) when the components of the social alternatives not related to the i 's (respectively j 's) personal issue are fixed, then society ought to be prepared

to respect the unconditional preference of the coalition $\{i,j\}$ over $[(\langle x_i, x_j \rangle), (\langle y_i, y_j \rangle)]$ when the other components of the social alternative not involving the i th and j th issues are fixed.

However, the concept of conditional group autonomy suffers from flaws. In Pattanaik's words

"It may be argued that even when society may be willing to give to any single individual the right to opt out of military service, society may not be willing to give a similar right to a large enough coalition since that may lead to the highly undesirable consequences of not having an effective military force".

His defence of the concept takes the following course.

"If society is not prepared to see too many - say, more than t -people opt out of military service, then it is not clear how society can simultaneously be prepared to respect the unconditional preference of individual i to opt out of military service when the other components of the social alternative vector are fixed in such a way that at least t individuals from the group $N-\{i\}$ opt out of military service.

One may counter-criticise Pattanaik's defence as follows. Society may not be prepared to see too many people opt out of military service in one go and yet allow these very individuals to opt out singly. The latter is possible because, firstly, society may not at any point of time expect too many people to opt out. In addition, phenomena of the former variety may not be acceptable for they may have an important impact on factors like the morale of the other individuals in society in general and defence personnel in particular. Without doubt, the two situations are not

equivalent. Pattanaik seems to have missed this point. However, it may be stressed that Pattanaik's insight has far reaching consequences.

Gibbard's Paradox

An interesting spin-off of the debate is the Gibbard paradox. This paradox highlights another conflict that arises purely within the realm of libertarian philosophy. It first appeared in Gibbard [31]. This theorem proves that, let alone the weak Pareto criterion, the condition of unrestricted domain and a stronger⁹ version of Sen's libertarian condition are mutually inconsistent. Gibbard's result can be presented very succinctly as follows. Gibbard is a staunch non-conformist and Mrs. Grundy is a conformist. Each has two options - painting their bedroom walls pink or white. It would be immediately clear that with preferences that stem from these behavioural traits no 'equilibrium' is ever possible.

Unconditional preferences

At the root of this paradox are the 'conditional' preferences expressed by the two individuals. To resolve it, Gibbard devised the notion of unconditional preferences. An individual unconditionally prefers an alternative x to another alternative y , if and only if he prefers x to y , whatever the state of the rest of the world be. This constraint on each individuals' preference structures is

sufficient to prevent the occurrence of the Gibbard Paradox¹⁰. It is obvious that this condition imposes a high degree of independence amongst individuals' preferences. Often, in reality, people express their preferences in a manner which is at least partially contingent upon what others desire. It must be recognised therefore, that though Gibbard's resolution scheme is straightforward, it involves fairly strong (and unrealistic) assumptions regarding people's behaviour.

The notion of coherence

Farrell [25] takes a cue from Gibbard and formulates yet another, though closely related, paradox. Let there be three distinct social states x , y and z and three individuals in society. Let the first individual be decisive over the pair $\langle x, y \rangle$; the second individual over the pair $\langle y, z \rangle$ and the third one over the pair $\langle z, x \rangle$. Furthermore, let the first individual prefer x to y , the second y to z and the third, z to x . We then have xPy , yPz and zPx which generates a social preference cycle.

Self-consistency and critical loops

In the above example, the source of the paradox is not to be found in the 'perverse' preference of individuals (as in Gibbard's paradox). Even a cursory scrutiny of the decisive pairs reveals that they are self-inconsistent. This notion of self-inconsistency (alternatively, that of self-consistency) forms the basis of Farrell's concepts of decisive chains, decisive loops and critical loops. Suzumura

[88] develops this theme to obtain the notion of coherence. Specifically, Suzumura introduces the concept of coherence as regards the assignment of rights. This notion is based upon Farrell's concept of a critical loop. Suzumura then goes on to show that the Gibbard paradox may be solved by essentially the same line of argument, even though, the two results are of a different nature. He concludes by supporting Sen's assertion that though a coherent allocation of rights is a necessary pre-requisite to any further analysis in this regard, a stronger informational basis holds the key in circumventing the Sen impossibility.

Austen-Smith [3] explores the notion of rights assignment from another viewpoint. His exercise investigates assignment techniques which would pre-empt the occurrence of the Liberal Paradox. However, the spirit behind such an effort is suspect. First, in Austen-Smith's formulation, it is welfarism and not libertarianism which governs the allotment of rights. This, obviously, makes little intuitive sense. Second, the Liberal Paradox occurs not because certain agents prefer certain social states per se but precisely because those alternatives have a special relationship with other individuals. Thus a re-allocation of rights is, in these circumstances, a self-defeating exercise.

5.7 Rights waiving/Meta-rights approach

Gibbard's paper [31] was a landmark in the debate on the

Liberal Paradox. In this study, he introduced the notion of 'alienable' rights (alternatively, we may call it the meta-right's approach, following Basu [8]) whereby individuals have the right to give up their rights. Implicit in this concept is the idea that there is a strong liberal tradition of free contract. If an individual feels that he would be better off by not exercising his rights over a certain issue, he would voluntarily waive them. Gibbard shows that the use of such a notion resolves the Liberal Paradox. To see the intuition behind this, we present the Edwin-Angelina-Judge example.

Angelina wants to marry Edwin but will settle for the judge, who wants whatever she wants. Edwin wants to remain single, but would rather wed Angelina than see her wed the judge. There are, then, three alternatives :

WE : Edwin weds Angelina;
WJ : the judge weds Angelina and Edwin remains single;
WO : both Edwin and Angelina remain single.

Sen's paradox can then be generated thus :

- (a) WJ cannot be the outcome since it is unanimously rejected
- (b) WO cannot be the outcome since its selection would violate Angelina's rights.
- (c) WE cannot be the outcome since its selection would violate Edwin's rights.

According to Gibbard, this is a very naïve interpretation of rights and rights-exercising. Consider the possibilities that Edwin can explore. He may adopt one of only two courses. Either he remains single or he proposes marriage to Angelina. Though he personally prefers the

former, he knows that if he does not propose to Angelina, she will marry the judge. Hence, this second factor 'rules out' the outcome **WO** (his most preferred one). Between **WE** and **WJ**, i.e. between the alternatives which remain, he prefers **WE**. Since this is also Angelina's preferred alternative, it is this outcome which will realise. Thus, in such a situation, Edwin would voluntarily waive his right to **WO** over **WE** for it is useless to him¹¹.

Gibbard's rights - waiving rule may be criticised on two counts at two different levels - the pragmatic and the ethical. At the pragmatic level, Gibbard's resolution would demand an extremely heavy use of the information structure. Every agent must not only know all the rights-assignments (which is not really possible in real-life situations) but also the exact preference orderings of all the other individuals in society over all these alternatives. Moreover, does the existence of a Pareto preferred alternative always lead to a sustainable solution? Once agents have bartered their rights and entered into a contract, there may exist strong tendencies for them not to keep it, especially when the alternatives in question are private in nature. This may be exemplified clearly in the Lady Chatterly's Lover case where the prude will have little, if any, incentive to read the book.

At the ethical level, Gibbard has defended the outcome which is generated by his concept saying that "**WE** is a just

outcome under the circumstances" (*italics added*). Sen [77] seizes upon the italicized part of the phrase and constructs this 'variant' of the above example.

"Angelina loves the judge - truly - and would have preferred most to marry him for her fury at being scorned by the unwillingness of Edwin ("oh, I hat him!") to marry her ("I will, Edwin, just you see!"), and hence her strict order : wE, wJ, wO. Edwin hates Angelina's guts ("in so far as she has any"), and knowing that she will be very happy married to the judge, he would do any thing to stop her, even - if need be - himself marrying her ("that will teach her all right"), and hence his strict order : wO, wE, wJ."

The preference structures of all agents have remained intact in this modification. All that has undergone a change are the agents' motivations behind their preferences. Would we, still concede that wE is a just outcome? Clearly, one would not and therefore, motivations do play a crucial role in determining 'just', 'fair' or 'equity based' outcomes. We shall discuss this point in greater detail in section 5.11.

Kelly's modifications

Kelly [41] has levied certain other criticisms against Gibbard's methodology in addition to the one above regarding the use of information. He points out that since individuals in the social choice-theoretic set up take decisions atomistically, there is nothing to prevent more than 'one individual to waive his rights on the belief that others will not waive. This 'correctable miscalculation' may then lead to a situation where an individual is worse-off in comparison to the situation when he had not waived his right. Kelly's attempt to rectify this flaw leads him to the conclusion that no return to the conditional/ unconditional distinction is

useful. First, he argues against the clause 'yRiy1,' in Gibbard's rights waiving rule; for Kelly says that if it is actually the case that yIiy1, is true, the individual in question would not gain anything by waiving his rights. Thus, this should be modified to 'yPiy1.' However, note that by waiving his rights under the Gibbardian regime, the individual does not lose anything either. Moreover, Gibbard's rule maybe shown to be superior under at least some circumstances. Consider the following example.

Let $A = \{x, y, z, w\}$. $\langle x, y; 1 \rangle$ & $\langle z, x; 2 \rangle$ be the rights assignment. Further, we have

Preference profile of individual 1: xPy , yIz and zPw

Preference profile of individual 2: wPz and zPx

If both individuals exercise their rights, xPy and zPx . In such a case, $P(z) = P(w) = 1/2$ (where $P(\)$ denotes the probability of occurrence of that alternative). If individual 1 waives his right, $P(y) = P(z) = P(w) = 1/3$ which is certainly a preferable situation from his point of view. Thus, in this respect, Gibbard's rule does make greater sense.

Second, Kelly states that Gibbard's rights-waiving rule assumes and mirrors an extremely high degree of risk-averse behaviour by all individuals in society. For even if there are a million sequences that begin with x and end with y and just one which goes the other way around, Gibbard's rule would automatically insist upon rights-waiving. To 'correct' this behavioural assumption, he introduces a more complex rule of the following kind. Individual i 's right to x over y

would be waived if

- (1) all the Gibbard's conditions are satisfied and in addition
- (2) there exists no nullifying sequence corresponding to a correcting one¹².

With these important modifications made, he perceives intuitively that at least some of the major problems with Gibbard's rule are solved. However, Suzumura [90] contests Kelly's intuitive claim ^{and shows} that as soon as the above modifications are made, Gibbard's existence result vanishes and an 'impossibility' is obtained again. In [91], he examines a whole set of regimes which belong to the Gibbard-Kelly structure of libertarian rights. His analysis concludes by showing that the Gibbard-Kelly system of alienable rights represents a standard of liberty that cannot be met by any universal collective choice rule.

Strategic consistency

Gardner [29] focusses solely on the aspect of strategic consistency of the preference revelation game that is structured through the problem of the Paretian liberal. He shows that, irrespective of the manner in which the game is viewed (cooperative or non-cooperative), the social choice function, which satisfies Gibbard's libertarian claim and strong Pareto optimality, is strategically inconsistent. Moreover, Karni [39] shows that an individual can make another individual waive his right by manipulating his own

preference ordering.

Basu's conclusions

From the above discussion, it could be conjectured that a basic problem is inherent in the meta-rights approach. This suspicion forms the basis of Basu's paper [8] which tries to show that all reasonable interpretations of the meta-rights approach are incentive-incompatible. If individuals are allowed to waive their rights voluntarily, the resolution of the Sen paradox would not be automatic. In other words, there exists a distinct possibility of occurrence of situations where the use of rights waiving for the resolution of the paradox would mean that at least some individual in society is being forced to waive his rights.

5.8 Constraints on libertarianism

Several authors have criticised Sen's formalisation of the libertarian condition. The general comments with respect to it have already been noted. Others have stipulated specific modifications of the libertarian condition which 'resolve' the impossibility of the Paretian liberal. These are discussed below.

Extremely liberal individuals

Breyer and Gardner's paper [17] is one of the earliest ones that presents a game theoretic model of social decision making in the context of the Liberal Paradox. The conditions of the choice theoretic form are translated into rules of the

game. The paper shows that in addition to separability of players' preferences¹³, at least $n-1$ of the n players must deem their own issue more important than all the other issues taken together to prevent the occurrence of the liberal paradox. Moreover, it also shows that voluntary co-operation amongst players does not by itself eliminate the possible occurrence of the emptiness of the core.

Self-supporting preferences

The starting point of Gaertner and Krüger's [30] approach is similar to that of Blau. The paper tries to overcome the limited validity of Blau's approach. It does this by defining a novel way of the constrained libertarian principle which in turn attempts to define meddlesomeness, both within and without 'nested preferences'. Recall, that the applicability of Blau's condition lay only within nested preferences. The constrained principle which Gaertner and Krüger formulate is that of self-supporting preferences. An individual has self-supporting preferences when the following holds. If he prefers feature x to feature y (where these, naturally, are features in his private domain) then he finds all alternatives that contain feature x to be at least as good as all alternatives which contain feature y . This notion is weaker than Gibbard's in the sense that it demands that all alternatives (in the individual's preference hierarchy) that contain x are placed not below (that is, it does not require strict preference amongst such alternatives;

weak preference would do) the ones that contain y . This constrained principle is shown to be consistent with the condition of unrestricted domain and the weak Pareto principle.

One of the aims of Krüger and Gaertner's paper [47] is to refute the assertion that the concepts of self-supporting preferences and unconditional preferences are inter-related. More importantly, the paper also perceives an inherent weakness in Gibbard's as well as Gaertner and Krüger's waiver conditions. This weakness takes the form of rights waiving in certain situations even when the preservation of these rights would not cause any Paretian problems. Clearly, in such situations, the outcomes before and after rights waiving might be very different.

Socially unconcerned individuals

Finally, we present yet another analogous concept devised by Suzumura and Suga [93]. This is the notion of the 'socially unconcerned individual.' A 'socially unconcerned individual' is one whose preference over social states is regulated exclusively by his personal features specified by these states. Suzumura and Suga obtain, not surprisingly, a 'possibility' through this assumption.

It may be noted firstly that, the concepts of unconditional preferences, self-supporting preferences, extremely liberal individuals, socially unconcerned

individuals are all independent of one another. Secondly, all these notions have been devised, but for a single purpose, i.e., each of these attempts to, in its own way, constrain Sen's libertarian condition and thus, generate a 'possibility'. 'Existence' results are obtained through these by forcing independence of some kind or the other amongst individuals' preferences. Since the real world does not possess the property that they attempt to infuse into the analysis, their importance is limited. Moreover, the normative properties that these resolution schemes possess are unattractive from a libertarian perspective for they tamper with the self-oriented parts of individuals' preferences and leave intact the 'meddlesome' parts. Finally, all of these resolution schemes postulate sufficient conditions for the resolution of the paradox. A schema which develops a necessary condition would go much further in clarifying important issues associated with this debate.

5.9 Comments on Welfarism

" ... if someone does have certain liberal values then he may have to eschew his adherence to Pareto optimality. While the Pareto criterion has been thought to be an expression of individual liberty, it appears that in choices involving more than two alternatives it can have consequences that are in fact, deeply illiberal".

Thus concluded Sen [74]. This suggestion has been met with all round resistance. Naturally, the notion that 'unanimity' can be rejected or over-ruled seems alien. Note however, that the Pareto criterion does not talk of unanimity amongst individuals of a society vis-a-vis the agenda but

only regarding a pair of alternatives. In addition, its binary content imparts to it a high degree of independence. As demonstrated by the 'Paretian Epidemic' (Sen [77]), this may lead to "deeply illiberal consequences".

The Paretian Epidemic states that given an unrestricted domain and the Pareto principle, there cannot exist any social decision function which imparts decisiveness over a pair each, to even two individuals. Kelsey [45] has attempted to generalise this result. The Pareto criterion arises from the conjunction of the conditions of non-imposition and monotonicity; Kelsey's attempt has focussed on deducing which of the two components of the weak Pareto Criterion is responsible for the conflict.

Kelsey shows that the Pareto principle per se is not a significant cause of the Liberal Paradox in the sense that the paradox can be generated even by replacing it with non-imposition, which is a strictly weaker condition. He interprets his results thus :

- (1) It is the non-imposition component of the Pareto principle rather than the monotonicity component which is responsible for the liberal paradox as well as the Paretian Epidemic.
- (2) It is the non-imposition component of the Pareto principle rather than the monotonicity component which is responsible for strict ranking welfarism.

Further he argues that

"Many of Sen's objections to the Pareto principle appear to be directed against monotonicity rather than non-imposition. His argument, in the passage quoted earlier appears to be saying that monotonicity with respect to utilities can lead to neglect of other important factors. Our results show that, whether or not monotonicity is desirable on ethical grounds it is not a major cause of the Liberal Paradox".

This observation is clearly erroneous for Sen clearly indicates that it is neutrality component of non-imposition that is responsible for the occurrence of the Liberal Paradox. It is obvious from the following passage that Sen [79] is unambiguously arguing against the neutrality condition.

"Welfarism asserts that non-utility information is, in general, unnecessary for social welfare judgements. Paretianism makes non-utility information unnecessary in the special case in which everyone's utility rankings coincide. (It also makes the social-welfare judgement mirror the unanimous individual rankings, which is an additional feature, but that does not, of course, affect the redundancy of the non-utility information). If everyone has more utility from x than from y, then it does not matter what x and y are like in any other respect: the Pareto principle will declare x to be socially better than y without inquiring further."

5.10 The conditional Pareto principle

The criticism against rejecting or restraining the weak Pareto criterion is also based on the implicit premise that once individuals have expressed a preference for an alternative over another, the unanimously rejected alternative stands absolutely no chance of being chosen. This sentiment may be gauged through Blau's [14] words. "I can see

no case for an outside observer denying an unanimous choice"14.

Sen confronts this view. For, according to Sen, "An important distinction exists ... between person i preferring x to y and person i wanting his preference for x over y to count in determining social choice." This insight has led Sen to formulate the 'conditional Pareto principle.'

The conditional version of the Pareto principle asserts the strong Pareto criterion with the proviso that every individual wants his preference to count in determining social choice. This procedure is clearly different from Farrell's, where, agents' preferences are amended. Using the conditional Pareto principle and an additional assumption namely there exists at least one 'liberal' person in society (a liberal person, in this context, is one who would not want the 'meddlesome' part of his preference to count in determining social choice), it becomes easy to resolve the impossibility. The result is generated by the liberal(s) vetoing the application of the weak Pareto criterion.

Rowley [69] has described the motivation behind the formation of the conditional Pareto principle as a 'sleight of hand', for he argues that if individual i did not want his preference of x over y to count in social choice, why would he construct such a ranking in the first place? Therefore, had person i made the distinction that Sen is trying to describe, the paradox would not have been generated at all.

Clearly, this argument makes no distinction between the expression of preferences by an individual and his wanting these to count in social choice. This distinction, it may be reiterated, lies at the heart of the spirit of the conditional Pareto principle.

Suzumura [88] reconstructs Sen's resolution with some clarifications regarding the structure of rights-assignment. The Sen-Suzumura resolution however, suffers from a serious drawback. The outcome is contingent upon which individual(s) behave liberally, i.e., the resolution procedure is not anonymous.

Austen-Smith [4] shows that when a suitably modified condition of anonymity is added to the set of conditions in Suzumura's existence result, the exercise yields a contradiction. However, the impossibility can be avoided if the Sen-Suzumura result is weakened by replacing the conditional strong Pareto criterion with the conditional weak Pareto criterion. Thus, the Sen-Suzumura approach is not fundamentally in conflict with modified condition of anonymity. There remains however, a deeper problem. With either of the two Pareto rules, the choice set is critically dependent upon the particular ordering extensions used by liberals to construct their restricted preferences. Since there does not seem to be any way out of this difficulty, Austen-Smith rejects the Sen-Suzumura characterization and develops one of his own which restricts the application of

the weak Pareto principle by recognizing Pareto dominance only for those elements which have not been vetoed by any individual rights exercising. Clearly, the ethical hierarchy of the Sen-Suzumura approach remains maintained in Austen-Smith's formulation.

This existence result goes through for both versions of the constrained Pareto Rule. Moreover, since no individual is required to restrict his preference, the question of satisfaction of the anonymity condition by the collective choice rule get resolved automatically. What is lost in the process, however, is 'decisiveness' of the collective choice rule.

Mezzetti's [50] restriction on the Pareto criterion is qualitatively different from the ones described above. He partitions it into a 'public Pareto principle' and a 'private Pareto principle'. Each of these operates when unanimity prevails over a certain pair of public or private features respectively. Mezzetti obtains a consistency between the strong Nozick libertarian claim (which is akin to Sen's libertarian condition) and the weak public Pareto principle. This result is not surprising for the essential and precipitating factor of Sen's theorem is missing.

5.10 Use of greater information-I : Utility structures

At first sight, it may seem that it is obviously useless to traverse this route. Since the proof of Sen's theorem uses various individuals' (ordinal) rankings as

datum, it may seem that all information from these rankings has been gleaned and used. Blau shows that this is not so.

(a) Blau's notion of 'meddlesomeness'

Blau's [14] manner of deriving 'ordinal preference intensities' is ingenious. The method, however, yields only partial orderings and is silent vis-a-vis some profiles. Nevertheless, the technique is applicable to the structure of rankings involved in the Liberal Paradox. The notion of ordinal preference intensities can be elucidated in the following manner.

Let individual i prefer a to b to c . Blau proposes that in such a case, i 's degree of preference over the ordered pair (a,c) is higher than over the pairs (a,b) as well as (b,c) . Thus, if (b,c) lies in i 's personal domain, (a,c) lies in j 's personal domain and $cP_i bP_i a$ and $aP_j c$, then individual i not only has a preference over (a,c) which is contrary to j 's but also that his intensity of preference over (a,c) (i.e. the pair over which j is decisive) is greater than the intensity of preference over (b,c) (i.e. the pair over which he himself is decisive). Individuals who hold such preferences are termed meddlesome by Blau.

In the prude-lewd case, Blau finds through this technique that both the prude as well as the lewd are 'meddlesome'. It may be noted that Blau's condition may not be sufficient in certain situations. This is evident from a

study of the Prisoner's Dillemma. Let the alternatives **a,b,c** and **d** be defined as follows.

- a** : Prisoner I confesses, Prisoner II confesses
- b** : Prisoner I confesses, Prisoner II does not confess
- c** : Prisoner I does not confess, Prisoner I confesses
- d** : Prisoner I does not confess, Prisoner II does not confess

(**a,b**) and (**c,d**) lie in prisoner II's personal domain and (**a,c**) and (**b,d**) lie in prisoner I's personal domain. The preference rankings of the two are as follows :

Prisoner I : **b d a c**

Prisoner II : **c d a b**

It can be seen from the above that both the prisoners are meddlesome in the sense of Blau. But are they really noseey? Clearly, each prisoner's preference ranking is indicative of his concern for his own well-being alone. Therefore, it is clear that certain individuals may be 'meddlesome' (technically, as defined by Blau) in some situations not because they are interfering in other people's affairs but due to the societal structuring of the attributes of certain outcomes.

Hansson [35] has also criticised the sufficiency condition of meddlesomeness postulated by Blau. This stems from the latter's relatively inorganic perception of society. According to Hansson, in institutions where the degree of inter-relatedness amongst individuals is high, (for example, a family) mutually meddlesome preferences, in the sense of Blau, lie in the centre of its activities.

(b) Use of cardinality

A cardinal framework, by definition contains more information than an ordinal one. Not only does it reveal the preference ranking of individuals over a set of alternatives, it is also explicit about the intensities of preference. This additional information, in conjunction with inter-personal comparability of utility, (it so believed by the proponents of cardinality), has a crucial bearing on reversing Sen's result.

Mueller [52] views the conflict generated in the "Impossibility of the Paretian Liberal" as essentially a 'short-run' one and argues that, in the long-run, the decision to establish liberal rights must be Pareto preferred otherwise the decision would not be sustainable¹⁵. More importantly, since the actual implementation of such a rule requires envisaging and weighing each individual's preference functions defined over all likely events, the introduction of inter-personal comparisons of utility is inevitable.

The argument for comparing utilities among individuals based on Mueller's justification is extremely weak. For it is an impossible task to perceive, let alone correctly foretell, all future states of the world. It should be borne in mind, however, that this is not an argument against the notion of inter-personal comparability per se.

Ng's views [54] adopt a course similar to Mueller's¹⁶. Suppose you have a strong preference regarding the choice

between your sleeping on your back or belly. Two other individuals mildly oppose your preference and all others in society are indifferent. Majority voting would declare you to choose the alternative that goes against your preference. On the other hand, a cardinal framework would yield the desired result since your preference is strong and others' is mild. The net effect, therefore would work in your favour. (However, we show below that given the structure of preferences in Sen's example, Ng's contention is erroneous). In an ordinal framework, liberalism is perceived by Ng to be a proxy for cardinality vis-a-vis the protection individual rights.

"Liberalism may thus be seen as an alternative to the majority rule, in this and similar cases. Whenever the choice is likely to affect some particular individual significantly but is unlikely to effect others in any significant way, society agrees that this choice should be left entirely that individual".

The above statement is open to two criticisms Firstly, the room for strategic manipulability increases manifold as one moves from an ordinal to a cardinal framework. Since utility cannot be objectively measured misrepresentation of preferences and their intensities would be easier. This would make the issue infinitely more complex. Secondly, and more importantly, the phrase "the choice is likely ... in any significant way", does not deny the possibility of 'adverse' forces to be operating in certain situations. For eg., if I mildly prefer sleeping on my belly and you strongly prefer

that I sleep on my back with rest of society being indifferent, then the application of cardinal utility, in this case would entail, my sleeping on my back - an alternative which lies in my personal domain and which I do not prefer. This may be formally demonstrated as follows.

Recall that the preferences of the two individuals (in the extended framework of Fine) were:

prude: **c a b d** and lewd: **b d c a**

A translation of these to the cardinal framework would imply:

$U_p(c) > U_p(a) > U_p(b) > U_p(d)$

and

$U_l(b) > U_l(d) > U_l(c) > U_l(a)$

Ng's stipulation requires $U(a) > U(b)$. But $U(a) > U(b)$ iff

$U_p(a) + U_l(a) > U_p(b) + U_l(b)$

which implies

$U_p(a) - U_p(b) > U_l(b) - U_l(a)$

Similarly, we must also have

$U_l(d) - U_l(c) > U_p(c) - U_p(d)$

However, from the preference profiles of the individuals, we know that

$U_l(b) - U_l(a) > U_l(d) - U_l(c)$

which implies

$U_p(a) - U_p(b) > U_p(c) - U_p(d)$

which is a contradiction.

(c) Justice principles

Here lies Martin Englebrodde,
 Ha'e mercy on my soul, Lord God,
 As I would do were I Lord God,
 And thou wert Martin Englebrodde.

This verse, taken from an English tombstone carving exemplifies the notion of interpersonal comparisons of extended sympathy. This form makes use of information available through an imaginary exchange of circumstances. Suppes was one of the pioneers of the conceptualisation of the grading principles of justice. Sen [73] has further refined the notion.

In applying this concept to our context, one is looking for a 'just' or 'fair' resolution of the Pareto libertarian paradox. In this regard, Kelly [40] took the pioneering step. He made the exercise of libertarian rights contingent upon the non-violation of Suppes principle and discovered that even 'weak just liberalism' is inconsistent with the Pareto rule. However, Suzumura [88] shows that if rights - exercising is restricted by the maximin justice consideration along the lines of Rawls [64] and Sen [73], the constrained libertarian claim is compatible with the Pareto rule.

However, Suzumura's result assumes two strong conditions.

- (a) individuals share the same extended ordering over social states i.e. the axiom of complete identity is satisfied.
- (b) the assignment of rights is 'coherent'.

Wriglesworth [94] shows that the axiom of identity can substitute for (a) without disturbing the result. Moreover, the transitive and the asymmetric nature of the justice

relations does not require even a coherent rights assignment for a consistency to occur.

5.11 Use of greater information-II : Non-utility information

From the above discussion it is evident that the resolution schemes of the Liberal Paradox are able to, at the very most, restrict the applicability of the Sen paradox. The paradox itself has come through unscathed. It should become clear to any discerning reader that the mechanical use of any ethical postulate cannot lead to a satisfactory resolution of the Paradox.

In such circumstances, it makes obvious sense to enrich the information set by introducing knowledge regarding individuals' reasons and motivations for holding their preference structures. This is clear from the two different versions of the Angelina-Edwin-Judge case which differed only with respect to the individuals' motivations and the 'justness' of the outcome depended entirely on such factors. Clearly, the consideration of motivations, as at least a guiding factor, in the resolution of such impossible situations becomes absolutely imperative. The plausibility of this claim can be demonstrated with the help of the following example.

Mr. X, who resides in India, is making up his mind to extend his support to one amongst three political parties in the forthcoming general elections. His vision of stability

and prosperity requires that

- (i) a secular polity must exist in society and
- (ii) the country should experience rapid economic development

Also, between these ethical judgements, he gives primacy to the former. The parties in the fray are the Janata Dal, the Bharatiya Janata Party and the Congress. He perceives the Bhartiya Janata Party to be a communal party. To fight its policies, he feels that the Janata Dal is much better placed than the Congress. On the other hand, the Congress is better equipped to bring about development in society. Let **a**, **b** and **c** denote Mr. X voting for the Janata Dal, the Bhartiya Janata Party and the Congress respectively.

Scenario 1 : All three political parties are in the fray and Mr. X's preference, in decreasing order, is **a c b**.

Scenario 2 : The Bhartiya Janata Party is derecognised through a Supreme Court ruling. Mr. X's preference now is **c a**.

What we see above is a preference reversal between **a** and **c** being influenced by **b**. Clearly, the preference profile of Mr. X violates condition α . Condition α forms the cornerstone of the notion of rationality as defined in choice theory. This notion of rationality clearly contradicts our everyday notion of the concept, for we do not think that any significant number of individuals would find Mr. X to be irrational. This means that by choice-theoretic standards, most people in most real-life situations are irrational!

The reason behind this 'bizarre' conclusion is not hard

to see. (C) ... follow ...

- (i) x shows ...
- (ii) x shows ...

These views are obvious ... are lots of choice in themselves ... state ... Indeed, either are they statements ... they entail such statements ... is only ... the motivation underlying the choice - an ... that ... "read" the choice as having ... The choice ... in all ... just one of many different motivations.

The lesson from the above ... The precepts of rationality and consistency ... depend upon external ... (for ... of the agent). ... the social choice theory ... the scope of its analytical ... into and considering motivations behind preferences ... an important first step in this direction.

1 Osborne (1977) ... terms to be, an 'unadmitted piece of logical error.' Osborne concludes that there ... possibly be an inconsistency between ... and the liberal principles ... one is binding, the other is ... If that is true they cannot pass ... It is obvious that Osborne's argument ... misses the point. The impossibility of ... Liberal is ... on interpretation ... consistency.

- 2 The theme of Blau's paper is to highlight the role of the assumption of independence in precipitating the impossibility result of Sen. As Blau remarks, "This powerful condition used fully or sparingly, together with non-trivial restrictions on the social preference pattern forces connections between pair-wise decisions.
- 3 Due to the incorporation of this assumption, the extended result of Batra and Pattanaik may also be interpreted as the Impossibility of the Paretian Federal.
- 4 Sen, in the proof of the Liberal Paradox, specifically assumes "minimal preference based choice" which is a weaker version of "universal preference based choice". The latter assumes that individual choices will, in fact, be based entirely on individual preference. This is the assumption used in Arrow's theorem. The Liberal Paradox can be proved using only the former where individual preference guides choices only over recognised personal spheres of individuals.
- 5 An individual is termed "extremely liberal" if for him his own issue is more important than all the other issues taken together.
- 6 Sugden [87] also falls victim to the same fallacy. "So far as specifically liberal values are concerned, there is nothing inherently dignified or undignified about the act of reading Lady Chatterly's Lover."
- 7 As Sen has pointed out in his paper [81] interpretative problems are rampant in the theory of social choice. For this reason, the aim behind Sen's writing the paper is to throw light upon the nature of these kinds of errors that have been made in the literature through the help of a classification of different interpretations of the phrase "x is preferred to y". Recall the discussion in chapter four.
- 8 See Sen [81]. Indirect liberty is concerned with what a person would have chosen whether or not he actually does the choosing. This is the social choice categorisation of liberty that Sen has used.
- 9 This variant demands that individuals be decisive over all pairs of alternatives whose features differ in matters that concern the individuals to whom the rights are accorded.
- 10 Gibbard's libertarian condition imparts rights to individuals over all pairs of alternatives whose features differ only with respect to the person concerned. However, only those individuals' rights are respected who exhibit unconditional preferences. Thus, the libertarian conditions formulated by Sen and Gibbard are independent of each other.

- 11 Technically person i waives his right to x over y if there exist a finite sequence of alternatives y_1, \dots, y_n such that $yR_i y_1, y_n$ is identical to x and for every t from 1 to $n-1$, at least one of the following holds
- (i) For all $j \in N$, $y_t P_j y_{t+1}$
 - (ii) There exists j (j being distinct from i), $y_t P_j y_{t+1}$ where y_t and y_{t+1} lie in j 's recognised personal sphere.
- 12 For concepts of nullifying and correcting sequences, see Kelly [41].
- 13 Separability of preferences is obtained by Breyer through the definition of 'extremely liberal individuals'.
- 14 MacIntyre [49] holds similar views. "... it must be rights that are violated if societal rationality is insisted upon. For if all prefer x to y , who is to argue that $yR_s x$ should be society's view? Whoever does, say i , is surely him/herself committed to the view that $yR_i x$ ".
- The above argument suffers from the fallacy of composition. As exemplified by the 'prisoners' dilemma', individual rationality and societal rationality may not always coincide. Thus, individual i can consistently hold $x P_i y$ and $y R_s x$.
- 15 Mueller [52] is making an error identical to the one made by Rowley and Peacock. The weak Pareto criterion does not involve an 'if and only if' clause, but only an 'if' one. Thus, the decision to establish liberal rights may be a decision other than a unanimous one.
- 16 Ng [54] commits a gross error when he states the belief that cardinality is implicit in an indifference map. His argument is based on an erroneous assumption namely that the utility function always possesses strong additive separability. Without doubt, this is patently untrue.

CHAPTER SIX: CONCLUDING REMARKS

By far the most important issue that the debate on the Liberal Pradox has raised is that of the 'alienability' of rights. Would individuals invariably seek to defy deontological norms in favour of utilitarian ones? For some authors, the answer is "plain to see" and "it seems hard to see how any moralist could object to our making a deal in order to further our nosey ends." To others "it raises a deeper question... but I resist to go further into this complex issue..."

The argument by the former school is based on a very simple premise. The right to trade/barter/market one's libertarian rights falls within the purview of libertarianism itself. This feature of libertarianism automatically resolves the paradox since the post-barter state is, obviously, a Pareto preferred state. If both the prude and the lewd want that the prude read the book, no moralist can ever question their right to give up their respective rights.

Can the issue be set to rest as easily as argued above? Clearly not. Firstly, as noted earlier, even if no 'external' agent has any moral claim to pass judgement over the 'private' actions of the prude and the lewd, will the post-barter state be tenable? Both the prude as well as the lewd would have a strong tendency to cheat the other person. The prude, in the privacy of his home may put away the book; the lewd may attempt to procure a copy for himself. Even if

the prude's actions are closely monitored (which in itself is an anti-libertarian act), how does one make sure that he is reading the book and not just pretending? These issues cannot be lightly dismissed.

Secondly, it is clearly possible that one or both of the prude and the lewd and morally upright individuals who would want to respect their own and one another's rights. In this case, there is no outside observer present; the 'insider(s)' themselves may pass moral strictures against their own 'meddlesome' natures. The fact that both individuals can potentially attain a more 'pleasurable' state does not imply that they will jump at every such opportunity that comes their way. An upright and honest officer may refuse to take a bribe even if he knows that he has no chance of being caught.

Finally, does the act of waiving one's rights voluntarily invariably possess an ethically desirable quality? It may seem to be 'plainly' so in the 'harmless' examples constructed so far. However, consider the case of a free labourer dying of starvation. He may accept 'bondage' in return for a subsistence wage. A society which gives moral sanctity to such 'coercive' phenomena would be obviously defunct. Mill expresses similar views.

"the principle of freedom cannot require that the person be free not to be free" and that "it is not freedom, to be allowed to alienate one's freedom."

Some libertarian defenders might argue that, in the last example, no coercion of any kind took place and the labourer entered the contract voluntarily. Making exchanges conditional upon voluntary consent is a mark of respect for the treatment of persons as autonomous individuals.

But the libertarian precept is a limited one - limited to coercion as use or threat of physical force. Can its scope be broadened? The answer is tenuous, for it may be very difficult to formulate a broader version which is not so all inclusive as to become useless. However, the notion of exploitation as distinct from coercion can still be usefully employed to defend against the libertarian critique.

Exploitation may or may not be coercive. For surely one can harmfully utilize another as a mere instrument or means without coercing him in the narrow libertarian sense. And in some cases, such actions may take place even with the consent of the 'victim,' as our last example illustrates. But this move merely shifts the burden of the argument, for we now face the onus, of elucidating what 'harm' entails.

We admit that we are on a sticky wicket. However, even libertarians have avoided this tricky issue. The notion has been accepted, more or less, as an axiom. Its very nature is so nebulous and elusive that, under certain circumstances, Sen endorses even the Hillinger and Lapham version which he had so vehemently attacked two decades ago.

"The idea that certain things are a person's 'personal' affair is insupportable. If the color of Mr. A's walls disturbs Mr. B, then it is Mr. B's business as well. If it makes Mr. A unhappy that Mr. B should lie on his belly while asleep, or that he should read Lady Chatterly's Lover while awake, then Mr. A is a relevant party to the choice. [He then goes on to say] ...this is, undoubtedly, a possible point of view, and the popularity of rules such as a ban on smoking marijuana, or suppression of homosexual practices or pornography, reflect, at least partly, such a point of view. Public policy is often aimed at imposing on individuals the will of others even in matters that may directly concern only those individuals."

For the libertarian, an analysis of this nature entails the identification of the line between private life and public authority. The question is difficult to answer in a 'vacuum' because individuals are so highly interdependent that no individual activity can be exclusively private as to be totally independent of the lines of others.

It seems to be too naïve to hope that a single formula can determine the boundaries once and for all. A similar comment is in order with respect to the resolution of the Pareto Liberal paradox for, the possible conflict between democratic values and libertarian claims is deep and difficult to resolve. The mechanical use of the Pareto rule and the free exercise of individual rights can disqualify all collective choice rules.

The 'Liberal Paradox, the Pareto Epidemic, Goodwin's and McCloskey's illustrations (in Chapter 2) are all cases where the use of information based solely on utilitarianism leads to situations that have an unpleasant moral and ethical

undertone. The 'neutrality' and 'anonymity' properties inherent in the philosophy fail to discriminate amongst alternatives and individuals when they are placed similarly vis-a-vis their utilitarian features. However, in the real world, there do exist other ethical considerations that call for the adoption of discriminatory postures with respect to some features concerned everybody's lives. The notion of libertarian rights is one such example. Minimum needs, equity, secularism and justice exemplify yet other value systems that need autonomous attention.

On the other hand, a purely deontological procedure may lead to grossly unpleasant social states. The right to private property can result in a highly unequal society which, in turn, may lead to large scale absolute poverty, hunger and disease, even famines and social unrest. In such cases, consequentialist and welfarist ethics may prove to be extremely useful.

Although the various approaches to the resolution of the Paretian Liberal paradox discussed in this monograph differ in their motivational and/or informational basis, there seems to be a common moral flowing from them: in order to guarantee a minimal amount of personal liberty, it is necessary that there prevail an individual (and group) attitude of respect and care for one another's liberty and for the realisation of social justice.

BIBLIOGRAPHY

- 1 **Aldrich** "Liberal Games: Further Comments On Social Choice and Game Theory", Public Choice, Summer 1977, 29-34.
- 2 **Aldrich** "The Dilemma Of A Paretian Liberal", Public Choice, Summer 1977, 1-21.
- 3 **Austen-Smith** "Fair Rights", Economics Letters, 1979, 4, 29-32.
- 4 **Austen-Smith** "Restricted Pareto And Rights", Journal of Economic Theory, 1982, 26(1), 89-99.
- 5 **Baigent** "Decompositions Of Minimal Libertarianism", Economics Letters, 1981, 7, 29-32.
- 6 **Barry** "Lady Chatterly's Lover And Dr. Fischer's Bomb Party: Liberalism, Pareto Optimality, And The Problem Of Objectionable Preferences" in Elster and Hylland (eds), 1986.
- 7 **Basu** "One Kind Of Power," Oxford Economic Papers, 1986, 38.
- 8 **Basu** "The Right To Give Up Rights", Economica, 1984, 51(204), 413-22.
- 9 **Batra & Pattanaik** "On Some Suggestions For Having Non-Binary Social Choice Functions", Theory & Decision, 1972, 3, 1-11.
- 10 **Bernholz** "Is A Paretian Liberal Really Impossible?", Public Choice, Winter 1974, 20, 99-107.
- 11 **Bernholz** "Is A Paretian Liberal Really Impossible : A Rejoinder", Public Choice, Fall 1975, 23, 69-73.
- 12 **Bernholz** "Liberalism, Logrolling and Cyclical Group Preferences", Kyklos, 1976, 29(1), 26-38.
- 13 **Bernholz** "A General Social Dilemma: Profitable Exchange And Intransitive Group Preferences", Zeitschrift für Nationalökonomie, 1980, 40, 1-23.
- 14 **Blau** "Liberal Values And Independence", Review of Economic Studies, 1975, 42(3), 395-401.
- 15 **Breyer** "The Liberal Paradox: Decisiveness Over Issues, And Domain Restrictions", Zeitschrift für Nationalökonomie, 1977, 37(1-2), 45-60.

- 16 **Breyer & Gardner** "Empathy And Respect For Rights Of Others", Zeitschrift für Nationalökonomie, 1980, 40, 59-64.
- 17 **Breyer & Gardner** "Liberal Paradox, Game-Equilibrium And Gibbard Optimum", Public Choice, 1980, 35(4), 469-81.
- 18 **Breyer & Gigliotti** "Empathy And Respect For the Rights of Others", Zeitschrift für Nationalökonomie, 1980, 40(1-2), 59-64.
- 19 **Buchanan** "Ethics, Efficiency And The Market", Oxford University Press, 1985.
- 20 **Campbell** "Democratic Preference Functions", Journal of Economic Theory, 1976, 12, 259-272.
- 21 **Chapman** "Rights As Constraints: Nozick Vs. Sen", Theory & Decision, 1983, 15, 1-10.
- 22 **Coughlin** "Rights And The Private Pareto Rule", Economica, 1986, 53, 303-320.
- 23 **Craven** "Liberalism And India Preferences", Theory & Decision, 1982, 14, 351-360.
- 24 **Elster & Hylland (eds)** "Foundation Of Social Choice Theory", Cambridge University Press and Universitetsforlaget, 1986.
- 25 **Farrell** "Liberalism In The Theory Of Social Choice", Review of Economic Studies, 1976, 43(1), 3-10.
- 26 **Fine** "Individual Liberalism In A Paretian Society", Journal of Political Economy, 1975, 83(6), 1277-81.
- 27 **Fountain** "Bowley's Analysis Of Bilateral Monopoly And Sen's Liberal Paradox In Collective Choice Theory: A Note", Quaterly Journal of Economics, 1980, 94(4), 809-12.
- 28 **Gaertner, Pattanaik & Suzumura** "Individual Rights Revisited", forthcoming in Economica.
- 29 **Gardner** "The Strategic Inconsistency Of Paretian Liberalism", Public Choice, 1980, 35(2), 241-52.
- 30 **Gaertner & Krüger** "Self-Supporting Preferences And Individual Rights. The Possibility Of Paretian Libertarianism", Economica, 1981, 48(189), 17-28.

- 31 Gibbard "A Pareto-Consistent Libertarian Claim", Journal of Economic Theory, 1974, 7, 388-410.
- 32 Hamlin "Procedural Individualism and Outcome Liberalism", Scottish Journal of Political Economy, 1983, 30(3), 251-63.
- 33 Hamlin "Rights, Indirect Utilitarianism and Contractarianism", Economics & Philosophy, 1989, 5(2), 167-87.
- 34 Hammond "Uncertainty and Information", in Sen and Williams (1982), 87-91.
- 35 Hansson "Rights and the Liberal Paradoxes", Social Choice & Welfare, 1988, 5(4), 287-302.
- 36 Harel & Nitzan "The Libertarian Resolution of the Paretian Liberal Paradox", Zeitschrift für Nationalökonomie, 1987, 47(4), 337-52.
- 37 Hillinger & Latham "The Impossibility of a Paretian Liberal: Comment by two who are unreconstructed", Journal of Political Economy, 1971, 123(3), 1402-05.
- 38 Hylland "The Purpose And Significance Of Social Choice Theory: Some General Remarks And An Application To The 'LC Problem'" in Elster and Hylland (ed).
- 39 Karni "Collective Rationality, Unanimity and Liberal Ethics", Review of Economic Studies, 1978, 45(3), 571-74.
- 40 Kelly "The Impossibility of a Just Liberal", Economica, 1976, 43(169), 67-75.
- 41 Kelly "Rights Exercising and a Pareto-Consistent Libertarian Claim", Journal of Economic Theory, 1976, 13, 138-153.
- 42 Kelly "Arrow Impossibility Theorems", New York, Academic Press, 1976.
- 43 Kelly "Rights and Social Choice: Comment", Economics & Philosophy. 1988, 4(2), 316-25.
- 44 Kelsey "The Liberal Paradox: A Generalization", Social Choice & Welfare, 1985, 1(3), 245-50.
- 45 Kelsey "What is Responsible for the Paretian Epidemic?", Social Choice & Welfare, 1988, 5(4), 303-06.

- 46 **Kim and Roush** "The Liberal Paradox and the Pareto Set", *Mathematical Social Sciences*, 1985, 9(1), 45-51.
- 47 **Krüger & Gaertner** "Alternative Libertarian Claims and Sen's Paradox", *Theory & Decision*, 1983, 15, 211-30.
- 48 **Laski** "Liberality in the Modern State", George, Allen & Unwin Ltd, London, 1948.
- 49 **MacIntyre** "'The Liberal Paradox: A Generalization' by D. Kelsey", *Social Choice & Welfare*, 1987, 4(3), 219-23.
- 50 **Mezetti** "Paretian Efficiency, Rawlsian Justice and the Nozick theory of Rights", *Social Choice and Welfare*, 1987, 4(1), 25-37.
- 51 **Miller** "'Social Preference' and Game theory: A Comment on 'The Dilemma of a Paretian Liberal'", *Public Choice*, Summer 1977, 23-28.
- 52 **Mueller** "Public Choice", Cambridge: University Press, 1979.
- 53 **Nayak** "Nozick's Entitlement Theory and Distributive Justice", *Economic and Political Weekly*, January 28, 1989, PE-2-PE-8.
- 54 **Ng** "The Possibility of a Paretian Liberal : Impossibility theorems and Cardinal Utility", *Journal of Political Economy*, 1971, 79(6), 1397-1402.
- 55 **Nozick** "Anarchy, State and Utopia", Oxford-Blackwell, 1974.
- 56 **Nozick** "Distributive Justice", *Philosophy & Public Affairs*, 1973, 3, 45-126.
- 57 **Osborne** "On Liberalism and the Pareto Principle", *Journal of Political Economy*, 1975, 83(6), 1283-87.
- 58 **Pattanaik** "On the Consistency of Libertarian Values", *Economica*, 1988, 55(220), 517-24.
- 59 **Peacock & Rowley** "Pareto Optimality And The Political Economy of Liberation", *Journal of Political Economy*, 476-490.
- 60 **Perelli-Minetti** "Nozick on Sen: A Misunderstanding", *Theory & Decision*, 1977, 8, 387-93.

- 61 **Pressler** "Rights and Social Choice: Is there a Paretian Libertarian Paradox?", *Economics & Philosophy*, 1987, 3(1), 1-22.
- 62 **Pressler** "How to avoid the Paretian Libertarian Paradox: A Reply to Kelly", *Economics & Philosophy*, 1988, 4(2), 326-32.
- 63 **Ramachandra** "Liberalism, Non-binary choice and Pareto Principle", *Theory & Decision*, 1972, 3, 49-54.
- 64 **Rawls** "Social Unity and Primary Goods", in Sen and Williams (eds), (1982), 159-185.
- 65 **Riley** "On the Possibility of Liberal Democracy", *American Political Science Review*, 1985, 79, 1135-51.
- 66 **Riley** "Generalized Social Welfare Functionals: Welfarism, Morality and Liberty", *Social Choice & Welfare*, 1986, 3(4), 233-54.
- 67 **Riley** "Rights to Liberty in Purely Private Matters", *Economics & Philosophy*, 1989, 5(2), 121-66.
- 68 **Rowley & Peacock** "Welfare Economics: A Liberal Restatement", London, Martin Robertson, 1975.
- 69 **Rowley** "Liberalism and Collective Choice: A Return to Reality?", *The Manchester School*, 1978, 46(3), 224-49.
- 70 **Rowley** "Liberalism and Collective Choice", *National Westminster Bank Quarterly Review*, 1979, 11-22.
- 71 **Schwartz** "On The Possibility of Rational Policy Evaluation", *Theory & Decision*, 1970, 1, 89-106.
- 72 **Seidl** "On Liberal Values", *Zeitsche für National-ökonomie*, 1975, 35(3-4), 257-92.
- 73 **Sen** "Collective Choice & Social Welfare", Holden-Day, 1971.
- 74 **Sen** "The Impossibility of a Paretian Liberal" *Journal of Political Economy*, 1970, 78(1), 152-157.
- 75 **Sen** "The Impossibility of a Paretian Liberal : Reply" *Journal of Political Economy*, 1971, 123(3), 1406-07.

- 76 **Sen** "Is a Paretian Liberal Really Impossible: A Reply", *Public Choice*, Spring 1975, 21, 111-113.
- 77 **Sen** "Liberty, Unanimity and Rights", *Economica*, 1976, 43(171), 217-45.
- 78 **Sen** "Social Choice Theory: A Re-examination", *Econometrica*, 1977, 45(1), 53-89.
- 79 **Sen** "Social Choice Theory (A Review)", *Handbook of Mathematical Economics*, Volume 3, Chapter 22.
- 80 **Sen & Williams (eds)** "Utilitarianism And Beyond", T.R. Harrison, Cambridge University Press, 1982.
- 81 **Sen** "Liberty And Social Choice", *The Journal of Philosophy*, 80(1), 1983, 5-28.
- 82 **Sen** "Social Choice and Justice : A Review", *Economics Letters*, 1985, 23(4), 1764-76.
- 83 **Sen** "Foundations of Social Choice Theory: An Epilogue", in Elster and Hylland (eds), 1986.
- 84 **Sen** "Is The Idea of Purely Internal Consistency Of Choice Bizarre?", (Harvard, 1990), A festschrift for Bernard Williams, edited by J.E.J. Atthani and T.R. Harrison.
- 85 **Sen** "On Ethics and Economics", Basil Blackwell Ltd, 1987.
- 86 **Subramanian** "The Liberal Paradox with Fuzzy Preferences", *Social Choice & Welfare*, 1987, 4(3), 213-18.
- 87 **Sugden** "The Political Economy of Public Choice", Oxford, Martin Robertson.
- 88 **Suzumura** "On the consistency of Libertarian Claims", *Review of Economic Studies*, 1978, 45(2), 329-42.
- 89 **Suzumura** "On the consistency of Libertarian Claims: A Correction", *Review of Economic Studies*, 1979, 46(4), 743.
- 90 **Suzumura** "The Liberal Paradox and The Voluntary Exchange of Rights-Exercising", *Journal of Economic Theory*, 1980, 22(3), 407-22.
- 91 **Suzumura** "Rational Choice, Collective Decisions and Social Welfare", Cambridge University Press, 1983.

- 92 **Suzumura** "Alternate Approaches to Liberal Rights in the theory of Social Choice", in Arrow (ed), (Vol I), London, Macmillan, 215-242.
- 93 **Suzumura & Suga** "Gibbardian Libertarian Claims Re-visited", Social Choice & Welfare, 1986, 3(1), 61-74.
- 94 **Wriglesworth** "Using Justice Principles to Resolve the 'Impossibility of A Paretian Liberal'", Economics Letters, 1982, 10, 217-21.
- 95 **Wriglesworth** "Respecting Individual Rights in Social Choice", Oxford Economic Papers, 1985, 37(1), 100-117.
- 96 **Wriglesworth** "Libertarian Conflicts in Social Choice", Cambridge University Press, 1985.



1662