

## Value Judgement Under Welfare Economics

However, Kaldor-Hicks welfare criterion has been subjected to severe criticisms. The claim of Kaldor and Hicks that their criterion is free from value judgements or ethical assumptions has been contested. To quote Professor Baumol, “Both the Kaldor and the Scitovsky tests operate on the basis of an implicit and unacceptable value judgement. By using a criterion involving potential money compensation, they set up a concealed inter-personal comparison on a money basis.”

He further writes, “It is no answer to this criticism to say that these criteria are just designed to measure whether production, and hence, potential welfare, are increased by a policy change that these criteria disentangle the evaluation of a production change from that of the distribution change by which it is accompanied.

Consider a change in production which increases gin output but reduces the output of whiskey. If X likes highballs but Y prefers martins, the question whether this is an increase in production is

inextricably tied in with the question of the distribution of these beverages between X and Y.”

In the end we may note that Professor Bergson has pursued a different line of approach to welfare economics. He has propounded the concept of social welfare function in which a set of value judgements is explicitly introduced and with this social welfare function, the economists can judge the desirability of certain economic reorganisations or policy changes. These value judgements, according to Bergson, “must be determined by its compatibility with the values prevailing in the community the welfare of which is being studied.”

Followers of Bergson like Samuelson and I.M.D. Little are of the view that welfare economics cannot be separated from value judgements, because any statement about increase or decrease of social welfare necessarily involves value judgements. On the Tightness of Bergson's social welfare function, and his introduction of explicit value judgements in it, Prof. Baumol writes, “Essentially the Bergson criterion must be judged right, if not very helpful.