

THE ECONOMIC PROBLEM OF HAPPINESS: KEYNES ON HAPPINESS AND ECONOMICS

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Abstract

In their latest book, Bruno Frey (2008) and the members of the research group he chairs at the University of Zurich announce that happiness research is leading a revolution in economics. This paper aims to discuss critically this claim and what we identified as five crucial issues of mainstream happiness economics. In so doing, we attempt to review John Maynard Keynes's vision about happiness and economics, starting from a revisiting of his essay *Economic Possibilities for Our Grandchildren*. We then provide reasons to argue that the rediscovery of Keynes's legacy in this respect can be of help to point out and examine the most controversial aspects of today's happiness research.

Keywords: Happiness economics, John Maynard Keynes

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Introduction

In their latest book, Bruno Frey (2008) and the members of the research group he chairs at the University of Zurich announce that thanks to happiness research, economics is undergoing a long hoped-for revolution. More precisely, the revolutionary character of happiness economics would draw on:

Revolution#1, or the delicate issue of measurement: “the measurable concept of happiness or life satisfaction”, that is subjective well-being, “allows us to proxy the concept of *utility* in a satisfactory way” (ib.: ix);

Revolution#2, i.e. new insights on “how human beings value goods and services, as well as how they value social conditions ... Happiness research suggests that individual evaluations are much broader than those enshrined in standard economic theory” (ib.: ix-x): people are shown to care not only for absolute but also and primarily for relative income, and value social relations, self-determination and so on;

Revolution#3, concerning policy consequences: “Happiness research suggests many policies that deviate significantly from those derived in standard economics” (ib.: x): for instance, it suggests increasing leisure time and reducing excessive geographic mobility.

Frey’s essay appears as one of the most valuable contributions of the now huge economic literature on happiness (Bruni and Porta 2005 and Easterlin 2002 are among the most interesting surveys) which has been developed over time after Easterlin’s 1974 seminal article titled *Does Economic Growth Improve the Human Lot?*. Easterlin reported evidence, based on subjective self-evaluation of happiness, that although a correlation between income and happiness did seem to exist within a single country and at a given time, similar results could not be said to emerge from cross sectional data across countries (although this finding has been subsequently challenged) nor, above all, time series analyses at the national level were found to confirm the until then

unquestioned or simply untested belief that money (economic growth) buys happiness (satisfaction with life as a whole). As a matter of fact, the so-called “paradoxes of happiness” Easterlin threw light on – and Scitovsky after him, though relevant contributions from Veblen and Galbraith on conspicuous consumption and the affluent society respectively, and Duesenberry’s studies on social theories of consumption clearly deserve to be mentioned – following tendencies already emerged in psychology as well as in sociology (see Bruni and Porta 2005) acted as the starting point for a new subdiscipline of economics. Happiness economics contributed to the general removal from philosophy, in the twentieth century, of issues which had been until then considered as central to it – hence the move of philosophy toward hermeneutics – and helped establish a more sustainable relationship between economics and psychology: rather than impose, as in the past, its imperialism on psychology, economics now takes inspiration from it to face problems so far almost neglected by the dismal science (see Frey and Benz 2004). Happiness research gained momentum at the time of the symposium hosted by the *Economic Journal* in 1997 and achieved wide popularity beyond the academy with Richard Layard’s book on happiness as a new science (2005).

Frey and Layard do certainly not feel alone in crying for a happiness-led revolution in economics: the impression that focusing on happiness may subvert many of the most controversial assumptions of neoclassical economics is quite widespread among happiness researchers, who seem prone to recognize that social scientists coming from disciplines such as philosophy and sociology have offered valuable suggestions to be incorporated in economic analysis. Differently from competing approaches to human well-being like Sen’s capabilities approach and Bruni’s (2006) insistence on *civil happiness*, “mainstream” happiness research – the “Subjective Well-Being approach” based on the “hedonic-subjective idea of happiness” (see Kahneman *et al.* 1999), which opposes the “eudaimonic-objective one” (Bruni and Porta 2005) of Sen’s works (see Comin 2005 for

a discussion of the differences and similarities between the two approaches) – makes scarce use of the history of economic thought. To a certain extent, this seems legitimate. While laying the foundations of political economy, Pasinetti argues, the classical economist chose to concentrate on material wealth – “a coherent and unambiguously definable subject of investigation” (ib.: 4), happily narrowing the scope of the analysis – rather than happiness, that is one of the most widely debated issues by previous thinkers, from ancient Greek philosophers to the *Philosophes* of the European Enlightenment. Then, neoclassical economics replaced material wealth with the “psychological element of human enjoyment” (ib.: 5) and the concept of utility. If the *homo œconomicus* hypostathized by neoclassical economics makes it hard to conjecture on happiness within the boundaries of economics, it remains to be seen if happiness researchers can succeed where their colleagues in the past have failed.

It is exactly for this purpose that we call upon the history of economic thought and reject the idea that it provides little more than an outdated background helping the newcomers to claim their originality with force. In particular, we focus on John Maynard Keynes’s thinking and overall vision about happiness and economics. Allowing for the scarce, if any, weight assigned to Keynes in today’s debate about happiness (neither mainstream nor rival approaches discuss Keynes’s legacy in this respect), our choice may come as a surprise. The only references to Keynes to be found in the happiness literature are in truth to the *Economic Possibilities for Our Grandchildren* (1930) and what most opinions define as Keynes’s dream of a human race finally free from the economic problem of material scarcity. Our aim is thus twofold: first, to rescue Keynes’s vision about happiness and happiness in its relations with economics; second, and more importantly, to show that Keynes’s vision about happiness might deserve a second glance – which is, for many aspects, a first glance – in the general attempt to further the discussion on some of the most contentious traits of happiness economics.

Mainstream Happiness Economics: Some Crucial Issues

To avoid unduly, less detailed and accurate duplications of general surveys of happiness research, we focus mainly on Frey's latest essay (see Wolfe 2008 for a critical review), which eases our task by taking inspiration from the whole bulk of studies conducted in the field, as well as on Layard's well-known essay on happiness. Our choice is based not only on the significant impact that these two works had or are destined to have on future investigations, but also on that they provide the most optimistic accounts of happiness research. If we accept that happiness is the ultimate goal in life – "despite any possible reservation, happiness is undoubtedly an overriding goal in most people's lives. This becomes clearer when the question is reversed: Who really wants to be unhappy in life?" (Frey 2008: 5) – or, as Layard (2005) claims, that "unlike all other goals, [*happiness*] is a self-evidently good" (ib.: 113) and "economics is – or should be – about individual happiness" (Frey 2008: 3), it becomes rather understandable why it is the attempt to find a solution to the Easterlin paradox to have triggered happiness research: income should indeed buy happiness, since higher income means "more opportunities to achieve whatever [*people*] desire" (ib.: 27). Up to a certain limit, happiness research confirms that richer people report higher happiness, but the relationship seems affected by the principle of decreasing marginal utility. What is more, differences in income cannot fully explain differences in happiness: other factors, some having a non-economic character, matter. In general, there is low correlation between income and reported well-being.

This is usually explained by observing that individuals compare with each other or, better, with the relevant others, as well as with the past and the future (in the form of expectations). As said, relative income may be much more relevant than absolute income, and adaptation ensures that people get used to higher income and consumption levels. These two effects point to the same

direction: “people strive for ever higher aspirations” (ib.: 32) and generally fail to recognize that aspirations adjust over time. The open-scissors graph Easterlin and many others after him found to represent the relationship between postwar real GDP per capita and life satisfaction in Western countries is thus “an indication that there is more to subjective well-being than income level alone ... Additional material goods and services initially provide extra pleasures, but it is usually only transitory. Greater happiness wears off when it is generated by material things. Satisfaction depends on change and disappears with continued consumption. This process of hedonic adaptation induces people to aspire even more” (ib.: 40). Likewise, even when rich countries are shown to report higher well-being than poor nations, i.e. income and happiness are positively correlated across countries, these very effects seem small and diminishing.

These results may give the wrong impression that *Revolution#2* should consist in a fundamental escape from utilitarian conceptions. After all, *Revolution#1* in economics stems from psychologists’ work on how to measure happiness and “fill the concept of utility with life” (ib: ix). Reported subjective well-being is considered as a “far better measure of individual welfare” than income, which economics has traditionally taken “as a suitable though incomplete proxy for human welfare” (ib.: 3). Despite reservations by Kahneman, Wakker and Sarin (1997), Bentham is really back – the connection between Kahneman and British Utilitarianism is “paramount”, says Nussbaum (2008) –, when happiness research replaces *decision* with *experienced* utility. Layard (2005) is charmingly clear about this point: that concept of the common good which contemporary societies are in so desperate need of – “we now have a society in which there is no agreed philosophical basis for public policy or for private morality” (ib.: 112) – is to be found in the “Enlightenment ideal” of “the greatest happiness of all, requiring us to care for others as well as for ourselves” (ib.: pp. 5-6). Layard believes that Bentham’s idea – “create all the happiness you are able to create: remove all the misery you are able to remove” (ib.: 235) – “was right and that we

should fearlessly adopt it and apply it to our lives" (ib.: 112). A doubtful point is whether we can really agree with what Layard writes in his book without endorsing Bentham's principle.

Happiness researchers think we should: recent astonishing developments in brain science seem to confirm that there is no real conflict between "what people think they feel and what they 'really' feel, as some social philosophers would have us believe" (ib.: 20).

Therefore, while in standard neoclassical economics utility was inferred from observed and observable choices, implying the forced renounce to cardinality and interpersonal comparability as well as the use of the axiomatic revealed preferences approach to measure social welfare, experienced utility would allow "to measure human well-being directly ... [following] an interpretation of utility in hedonistic terms in the broadest sense" (Frey 2008: 16). Reported subjective well-being is thus taken as a good proxy for decision utility. True, people have different ideas about happiness, so that we cannot really rely on observed behavior to assess well-being lest in a much imprecise manner. But people are "the best judges of the overall quality of their lives" (ib.: 17) – one could note *en passant* that this may raise a conflict with the use of happiness research to ascertain utility mispredictions and the fact itself that "people's attempts at assessing their own level of utility may be self-defeating" (ib.: 7) – and can be asked about subjective well-being. Surveys based on reported subjective well-being "are prone to a multitude of biases" (ib.: 19), concerning the meaning of "happiness" and people's perception of it, its stability over time, people's ability and willingness to reply to questionnaires in a meaningful way, scales (see Johns and Ormerod 2007) and causality (see Dolan *et al.* 2008). However, says Frey, the intended use of these data is to detect the determinants of happiness: as Ng (1996) has tried to demonstrate, this does not require reported subjective well-being to be either cardinally measurable or interpersonally comparable. Frey can thus conclude, following Kahneman, that these problems are much more relevant at a theoretical level than at a practical one.

According to Easterlin (see for instance 2004), “although there are subtle differences between happiness and life satisfaction [*they can be treated*] as interchangeable measures of overall feelings of well-being, that is, of *subjective* well-being” (ib.: 1). Among the reasons (perhaps the most important) why happiness researchers dismiss the hypothesis that problems of commensurability and aggregation may arise in the analysis of reported subjective well-being, so that Revolution#1 can occur, is that happiness is unidimensional. Though researchers do differ about this point, those who use happiness data as evidence for public intervention tend to reduce the relevance of these problems, claiming that it is impossible to be happy and unhappy at the same time – “positive feelings damp down negative feelings and vice versa” (Layard 2005: 21) as well as that different types of goods and pleasures can be compared one with the other, so that “lest this seem very mechanical” (ib.), happiness is treated as “a *single* dimension of experience running from extreme misery to extreme joy” (ib.). In short, to the proclaimed and reasonable variety of the determinants of happiness often corresponds a more questionable *reductio ad unum* of the characters of happiness itself. In most cases, the issue is not addressed. How should we weigh the happiness of different people? Although Layard is not sure about the Benthamite solution (every individual should be considered equally, so that the rule would simply be that of adding up the happiness of all involved), he believes that happiness research may luckily offer us a chance to start evaluating happiness differently when people differ in their levels. Anyway,

“happiness is an objective dimension of all our experience. And it can be measured ... happiness is a single dimension of all our waking experience, running from the utmost pain and misery at one extreme to sublime joy and contentment at the other. We are programmed to seek happiness ... It is thus self-evident that the best society is the happiest ... Many arguments have been brought against this philosophy, but none of them stand up. Indeed, many of them vanish in the light of our psychological knowledge. And no one has proposed any other ‘ultimate’ principle that could arbitrate when one moral rule (like truth-telling) conflicts with another (like kindness) ... Our society is not likely to become happier unless people agree that this is

what we want to happen" (ib.: 224-25).

Happiness economics says thus something about ethics. Layard claims that after God's death and the decline in religious belief, progressively substituted for by the progress of science, the liberation from traditional beliefs has gone along with "invitation to license" (ib.: 91), which the left-wing thinking has been able to overcome until the Eighties. Then, social darwinism with "rampant individualism has become the norm" (ib.). Here is a role for happiness as against *laissez-faire*, i.e. to demonstrate the possibility of pursuing the common good in the name of the greatest happiness for all.

Rejecting both Aldous Huxley's "soma" and Robert Nozick's "happiness machine", Layard distinguishes his own theory from what he considers paternalistic approaches such as Sen's capabilities approach – it is the individual himself who must play the part of an impartial spectator when looking at others' happiness – and dismisses a series of criticisms – those derived from Mill's well-known comparison between a satisfied fool and a dissatisfied Socrates ("There are many heroes [*like Socrates himself*] who have suffered that others might benefit ... The suffering *in itself* ought not to be considered a good": 118), those related to happiness research's consequentialism ("This is a simple misunderstanding. If I decide to do something, everything that follows is a consequence, including the action itself": 119); those concerning people's tendency to adapt to poverty and oppression ("the gains to the rich can be directly compared with the greater gains which the poor would experience if the money were spread more widely ... So the principle of Greatest Happiness is inherently pro-poor ... In fact if people did not dislike being poor or oppressed, would we worry about poverty and oppression? ... Ethical theory should surely focus on what people feel, rather than on what other people think is good for them": 120-21), and so on. Therefore, he endorses the greatest happiness as "the right guide to public policy ... [*and*] the proper criterion for private ethical decisions" (ib.: 115).

Both the possibility of a conflict between rules – “a happy society has to be built on two foundations: first, the greatest level of sympathy for others, and, second, the strongest moral principle of impartiality” (ib.: 117), but this usually clashes with particular interests and legitimate rights to happiness – and the demand to be able to review the rules, which may fail to provide guidance in many situations, suggest that “we need a clear philosophy. The obvious aim is the greatest happiness of all. If we really pursued that, we should all be less selfish, and we should also be happier” (ib.: 125). But then, economics should recognize that happiness does not flow uniquely through voluntary exchange, and that our values are not unchangeable.

Hence the happiness-led policy proposals – Revolution#3 – which occupy the forefront of Layard and Frey’s concerns. Among the former’s somewhat radical suggestions, people could attend course of “Education for life” to learn that their preferences are subject to hedonic adaptation and potentially harmful social comparison, while policy-makers should tax positional externalities coming from differences in income and consumption. The latter tells us that the “misery index” defined as the sum of unemployment and annual inflation, for instance, should be left in favour of more realistic assessment of the psychological effects of unemployment and of increased leisure time. Marriage seems to contribute highly to happiness, while advertising on television, suggesting harmful social comparison, should be curbed down. Excessive mobility struggles against social relationships and contributes negatively to happiness. Frey convincingly argues against the use (suggested by Kahneman 2004, among others, and Diener and Seligman 2004) of a non-GDP national measure of well-being, claiming that “happiness theory should not be used to try to maximize aggregate social welfare. Instead, the insights provided by happiness research should be used as one important input into the political process of how the trade-off between macroeconomic variables can be evaluated” (Frey 2008: 202). Contrary to Layard, Frey underlines that problems of cardinality and interpersonal comparability are not yet overcome, and

that policy-makers do have personal interests; moreover, a happiness national index would pay scarce, if any, attention to democratic governance. Hence the idea of using happiness data as inputs into the political process and the proposal of designing institutional setting in such a way as to promote political participation and – as a consequence – individual happiness. In particular, Frey outlines a new model of federalism aiming at satisfying at a political level those intrinsic needs for relatedness, competence and autonomy which Deci and Ryan (2000) claim to be among people's most relevant expectations.

Keynes's Perspective on Happiness and Economics: *The Economic Possibilities for Our Grandchildren*

As seen, even a rapid glance at the core of mainstream happiness economics highlights a number of crucial issues which have been the object of various criticisms on the part of competing approaches to happiness. In the partial reconstruction that precedes, we have identified five, namely: 1. the ambiguous relationship between income and happiness as the starting point of happiness research; 2. the “back to Bentham” approach of happiness researchers; 3. the appearance of problems of incommensurability, 4. heterogeneity and multidimensionality; 5. the scope of economics and economic policy. What we want to show is that these issues are not dissimilar from those of general interest to John Maynard Keynes in the first half of the twentieth century.

Not surprisingly, Keynes is scarcely mentioned in the economic literature on happiness. A famous passage of the *Economic Possibilities for Our Grandchildren* – “assuming no important wars and no important increase in populations, the *economic problem* may be solved, or be at least within sight of solution, within a hundred years. This means that the economic problem is not – if we look into the future – *the permanent problem of the human race*” (CW IX: 326) – is sometimes reported on the first page of books and articles on well-being, but the prevalent reading of the essay renders it

hard to include Keynes among the thinkers of happiness. Yet, he does speculate about happiness – once the age of abundance is reached, he writes, “man will be faced with his real, his permanent problem – how to use his freedom from pressing economic cares, how to occupy the leisure, which science and compound interest will have won for him, to live wisely and agreeably and well” (ib.: 328).

As an undergraduate working under Keynes between 1928 and 1930, Arthur Plumptre had a chance to see Keynes reading in Cambridge that particular paper. When asked to offer a personal view of Keynes, Plumptre (1947) argued that the talk, which was “not unlike some of the most futuristic parts of the *Treatise on Money* and the *General Theory*” (ib.: 371), had left him with the impression that Keynes was there

at his best and his worst. His worst, because some of his social and political theory would not stand too close scrutiny; because society is not likely to run out of new wants as long as consumption is conspicuous and competitive; and because, as an undergraduate once remarked, democratic government is more than a gathering of benevolent Old Etonians. His best, because of the roving, inquiring, intuitive, provocative mind of the man. Should interest rates fall and the working day be shortened to remedy unemployment? If so, get people accustomed to the idea by talking about zero interest and a three-hour day and the terrific problem of leisure! He liked to pose as a prophet of doom, but he really believed in salvation, not by revelation, but by good sense and clear reasoning (ib.).

Skidelsky uses Plumptre’s account as a confirmation of his view of the *Economic Possibilities* as the clearest evidence of the “ambivalent attitude to capitalism” (1992: 236) one can detect in Keynes’s writings. His “utopia”

is not socialist, simply non-capitalist. This is because, like Max Weber, he defines capitalism as a spirit, not as a social system. Whatever happens to property relations, capitalism as such is self-liquidating. Thus beyond Commons’s epoch of stabilisation stretches a new age of abundance, when individualism can flourish again, though shorn of the unlovely features associated with its first coming (ib.).

“A provocation, a *jeu d’esprit*, aimed at clever young Wykehamists and Etonians” (ib.), Skidelsky

argues that the *Economic Possibilities* have been little investigated by economists, and “perhaps rightly” (ib.: 237) so – in his words, Keynes’s utopia would amount at “an enlarged Bloomsbury at the top and bread and circuses for the masses. It is a paradise of leisure. But what will most people do?” (ib.). When writing the second volume of his biography of Keynes, Skidelsky could scarcely imagine that the *Economic Possibilities* were to enjoy a rediscovery at the times of the current financial crisis: the essay has been re-issued by the Italian publishing house Adelphi (Keynes 2009) and is at the heart of Dostaler and Maris’ 2009 investigation on Keynes’s vision about love for money in its relationship with Freud’s thinking. What is more, a volume (Pecchi and Piga 2008) centred exactly on the *Economic Possibilities*, with contributions by leading economists such as Baumol, Becker, Fitoussi, Frank, Leijonhufvud, Phelps, Solow and Stiglitz, has recently appeared, the editors claiming that in his essay, Keynes almost gives the impression “of wishing to challenge posterity to put his predictions to test” (ib.: 1).

Believing that, due to capital accumulation and technical progress, the standard of life in Western countries would have reached levels between four and eight times as high as those prevailing in those gloomy times, in the *Economic Possibilities* Keynes predicts that despite serious concerns for “technological employment”, “in the long run ... *mankind is solving the economic problem*” (CW IX: 325), “hitherto the primary, most pressing problem of the human race – not only of the human race, but of the whole of the biological kingdom from the beginnings of life in his most primitive form” (ib.: 327). This fact itself, that “in the long run “the *economic problem* may be solved, or be at least within sight of solution, within a hundred years ... means that the economic problem is not – if we look into the future – *the permanent problem of the human race*” (ib.: 326). Notwithstanding the lack of a modern growth theory (though endowed with frontier growth theory, today’s economist would not engage, according to Ohanian 2008, in making similar forecasts for the 22nd century), Keynes’s estimates appear quite accurate (see also Zilibotti 2008).

As pointed out by the contributors to Pecchi and Piga's volume, problems lie rather on Keynes's predictions concerning employment and highly reduced hours worked in the future: he simply failed to take adequately into consideration first-order issues like income distribution in both already developed and developing countries – in the latter, he overlooked the relatively easy possibility to replace labor with capital. Equally, he understated the pleasure one could derive from working and the role of innovation in providing stimulus to career, as well as the rise, driven by economic growth itself, of new consumption needs in addition to those which were considered as basic in his times. As a consequence of his lack of concern for distributional issues, he also unduly played down, after mentioning, the problem of relative needs, thereby failing to realize that social acceptance of increased inequality could but go along with that for relative needs themselves (ib.).

Once these missing concerns or wrong expectations are considered, one may even conclude (see Lin 2008) that not one indeed of Keynes's relevant predictions about the economic possibilities of his grandchildren has been realized. Even the general incursion outside the realm of pure economics Keynes made in his short essay, those ideas "on the good society" (Pecchi and Piga 2008: 10) the age of abundance would have offered to the human race, can scarcely be said to have passed the test of time (ib.). Keynes's legacy in this respect might be even questioned on more fundamental grounds. According to Wisman (2003), by focusing uniquely on the problem of material scarcity while disregarding the aspects of the good life, the mainstream of economics is kept prisoner by a "material progress vision" (ib.: 426) and "the presumption, although not generally acknowledged, much less mentioned, ... that solving the material problem will make the good life possible" (ib.). Less paradoxically than it may seem, modern economics would have left behind the pre-modern problem of a good and just social order in real conditions of material scarcity and struggle with the constraints nature poses on free will – that is, in ancient times a kind

of “social harmony vision” (ib.: 428) reigned whereby the human problem was considered to have a social character, and scarcity as dependent on injustice – to engage, following the advent of capitalism with ever-greater wealth, in a war against material privation conducted with the help of economic growth itself. The latter would thus be our main weapon, and a free-from-ethics economics allowed to concentrate exclusively upon the problem of scarcity. Hence a direct reference to Keynes’s *Economic Possibilities* and his belief that “a radical transformation of the human condition [is] consequent to material abundance” (ib.: 427).

Leading Skidelsky’s arguments to the extreme (“what is deceptive [*in Keynes’s essay*] is the naivety with which Keynes deals with human needs and even more deceptive his arrogance and the questionable moral which goes with it”), Fitoussi (2008: 151) paradoxically opens the way to a different reading of Keynes’s speculations. He suggests that the reason for both the popular success of Keynes’s paper and economists’ substantial neglect to analyse its contents in depth may lie in that “Keynes, in freeing himself from economic rigor, is attempting to unveil his moral philosophy” (ib.). Fitoussi is right: as argued by Backhouse and Bateman (2006), Keynes was “the last great economist in the tradition of philosopher-economists” (ib.: 149), to the extent that if he is seen “purely as an economist theorist, *pur sang*, he emerges as one amongst many and it becomes less clear why he, rather than any of his contemporaries caught the public imagination in the way that he did” (ib.: 158). In effect, once the *Economic Possibilities* are situated in their context, that is in the general context of the whole bulk of Keynes’s writings, and their seemingly radical assumption about the twenty-first century are brought again into his much complex vision about ethics and economics, things may appear differently, and even show the relevance of Keynes’s legacy for happiness economics. By following a tradition established in recent decades by scholars (Carabelli 1988, O’Donnell 1989, Bateman 1996, to quote a few) who have insisted on the practical impossibility to grasp the full sense of Keynes’s “revolution” in economic thinking without

referring to his main essay on method, the *Treatise on Probability*, Wisman's reading – and traditional opinions about the *Economic Possibilities* – can be challenged at least in two respects.

As remarked by Goodwin (2000), the *Economic Possibilities* reinforce the view that “the first leading modern economist to reject both the simple behavioral postulate of the optimizing economic man and the forecast of inevitable scarcity ahead was John Maynard Keynes” (ib.: 406). Fully embedding the Victorian culture and inspiring Strachey's characterization of the *Eminent Victorians*, “through their gloom were [*these myths*] intended to strengthen social control” (ib.: 407) and had been particularly successful in engendering fear. A privileged target for the Bloomsburys was the story of the creation with Adam and Eve in the garden of Eden, suggesting that “the economist's problem of unlimited wants and scarce means has divine origin. And it shall remain so forever” (ib.: 410). Less prosaically, Adam and Eve “demonstrated a destructive proclivity to pursue short-term consumption (the apple) over long-run benefits (the comfortable life of the Garden), and their mistaken time-preference doomed their descendants to eternal hardship” (ib.).

The political heritage of this story is obviously that man is weak and needs control over his actions. But it is far from difficult to show that Keynes's writings are perfectly in line with Bloomsburys' concerns about the myth of natural scarcity and against Victorian morals. Suffice it to notice that in his much debated autobiographical sketch *My Early Beliefs*, after describing “the Benthamite tradition ... as the worm which has been gnawing at the insides of modern civilisation and is responsible for moral decay” (CW X: 445), Keynes states that he had “repudiated all versions of the doctrine of original sin, of there being insane and irrational springs of wickedness in most men” (ib.: 447). The much questioned reference in the *Economic Possibilities* to a not far off age of leisure and abundance draws on a comparison between this happy future and the “old Adam”:

For many ages to come the old Adam will be so strong in us that everybody will need to do *some* work if he is to be contented. We shall do more things for ourselves than is usual with the rich today, only too glad to have small duties and tasks and routines. But beyond this, we shall

endeavour to spread the bread thin on the butter – to make what work there is still to be done to be as widely shared as possible. Three-hour shifts of a fifteen-hour week may put off the problem for a great while. For three hours a day is quite enough to satisfy the old Adam in most of us! (CW IX: 328-29).

Pecchi and Piga aptly recognize that the *Economic Possibilities* is first of all an essay against pessimism at a time of world depression. A similar message appears in the preface to the *Essays in Persuasion*, collecting Keynes's "sociopolitical speculations" (Moggridge 2005: 539). Here emerges more clearly, Keynes writes using a third-person narrative form,

what is in truth his central thesis throughout – the profound conviction that the economic problem, as one may call it for short, the problem of want and poverty and the economic struggle between classes and nations, is nothing but a frightful muddle, a transitory and an *unnecessary* muddle. For the western world already has the resources and the technique, if we could create the organisation to use them, capable of reducing the economic problem, which now absorbs our moral and material energies, to a position of secondary importance ... the author ... believes that the day is not far off when the economic problem will take the back seat where it belongs, and that the arena of the heart and head will be occupied, or reoccupied, by our real problems – the problems of life and of human relations, of creation and behaviour and religion (CW IX: xvii).

True, at the beginning of the *Economic Possibilities* he remarks that he wants "not to examine the present or the near future, but to disembarrass myself of short views and take wings into the future» (ib.: 322). This remark is however preceded by a double attack on "the pessimism of the revolutionaries who think that things are so bad that nothing can save us but violent change, and the pessimism of the reactionaries who consider the balance of our economic and social life so precarious that we must risk no experiments" (ib.). The *Essays in Persuasion* include Keynes's and Henderson's 1929 plea for public intervention against the slump, i.e. *Can Lloyd George Do It?*, condemning the "You must do anything" philosophy (ib.: 124) endorsed by the government.

Negation, restriction, inactivity – these are the government's watchwords. [...] But we are not tottering to our graves. We are healthy children. We need the breath of life. There is nothing to be afraid of. On the contrary. The future holds in store for us more wealth and economic

freedom and possibilities of personal life than the past has ever offered. There is no reason why we should not feel ourselves free to be bold, to be open, to experiment, to take action, to try the possibility of things (ib.: 124-25).

The core message of the *Economic Possibilities* is here posed at the service of public action opposing this particular kind of “progress towards negation” (CW XXI: 40), to use words written by Keynes in his later articles on the persistent effects of world economic crisis. In a 1931 letter to W.S. Woytinsky of the German Trade Union Federation, he himself admits he wrote the *Essays in Persuasion* “for popular consumption against deflationists in this country” (reported in Ruiz 2009: 2-3).

Let us enlarge the perspective to Keynes’s work as an international negotiator. It should be preliminarily noted, following Mini (1994), that Keynes’s plans for Bretton Woods are imbued with an anti-utilitarian philosophy: “in Keynes’s scheme there is no reward in being ‘good’, that is, in working hard and developing a trade surplus” (ib.: 194). During the negotiations of the American Loan, Keynes outlined the necessary conditions for Britain, overburdened with external debts as a legacy of war, to avoid a “financial Dunkirk” (CW XXIV: 410): export drive, drastically limited expenditures abroad and financial help on the part of the US at tolerable terms for London. He then declared that “beyond question we are entering into the age of abundance ... the time may well come – and sooner than we yet have any right to assume – when the sums which now overwhelm us may seem chicken-feed, and an opportunity to get rid of stuff without payment a positive convenience” (ib.: 411). True, Keynes was chiefly concerned with Britain’s debt; but Britain’s debt were US credits, and nothing prevents us from interpreting this passage as a call upon the US for financial assistance in the form of a free grant rather than a market loan, which was to be the key issue of the negotiations. It suffices to apply to the US what he wrote in the *Economic Possibilities*: before entering that “age of abundance” which will change “the nature of one’s duty to one’s neighbour ... it would remain reasonable to be economically purposive for

others after it has ceased to be reasonable for oneself” (CW IX: 331; see Cedrini 2008).

To take another example, one may recall how Keynes presented the Joint Statement of Bretton Woods to the House of Lords on 18 May 1943. “Here is a field”, he proclaimed, “where mere sound thinking may do something useful to ease the material burdens of the children of men” (CW XXV: 280). Here again, as seems confirmed by lexical choices, Keynes’s perspective is the one he exposed in the *Economic Possibilities*, where moral renaissance following the elimination of the economic problem is necessarily preceded by more traditional “sound thinking”. In his 1931 talk to the Society for Socialist Inquiry and Propaganda, entitled *The Dilemma of Modern Socialism*, Keynes proclaimed that the “economically sound” is “the best contribution which we of today can make towards the attainment of the ideal” (CW XXI: 38), where the ideal is “to put economic considerations into a back seat” (ib.: 34) – for a certain period at least. Though the “children of man” are not yet born, grandfathers must take a decision by combining sound thinking with the perspective of easing the “material burdens” of their grandchildren. This perspective, which dominant, almost unchallenged interpretations of the *Economic Possibilities* have regarded as a challenge to posterity, was in truth chosen by Keynes to change *his* times.

As a second challenge to Wisman’s reading of Keynes’s arguments about the economic problem, it should be noted that the *Economic Possibilities* expose that same fully anti-utilitarian philosophy (see Mini 1990) which, as we show below, Keynes had endorsed since his early articles on ethics. The benefit of a successful struggle against the economic problem will accrue to those who “believe at all in the real values of life” (CW IX: 327), who “can keep alive, and cultivate into a fuller perfection, the art of life itself and do not sell themselves for the means of life” (ib.: 328), to the extent that those who are unprepared for the advent of abundance will likely be the victim of a “nervous breakdown” (ib.: 327). The “old chairwoman”’s paradise is “to do nothing for ever and ever” (ib.). True, “she conceived how nice it would be to spend her time listening-in ... the psalms

and sweet music the heavens'll be ringing", but she "shall have nothing to do with the singing" (ib.). She thus fail to realize that "it will only be for those who have to do with singing that life will be tolerable" (ib.: 328). It is then that man will face "his real, his permanent problem – how to use his freedom from pressing economic cares, how to occupy leisure, which science and compound interest will have won for him, to live wisely and agreeably and well" (ib.). Keynes's main argument is here that against purposiveness. The paradise cannot be enjoyed by "the strenuous purposeful money-makers" (ib.), who "have an independent income but no associations or duties or ties" (ib.).

"Purposiveness" means that

we are more concerned with the remote future results of our actions than with their own quality or their immediate effects on our own environment. The "purposive" man is always trying to secure a spurious and delusive immortality for his acts by pushing his interest in them forward into time. He does not love his cat, but his cat's kittens; nor, in truth, the kittens, but only the kittens' kittens, and so on forward forever to the end of cat-dom. For him jam is not jam unless it is a case of jam to-morrow and never jam to-day. Thus by pushing his jam always forward into the future, he strives to secure for his act of boiling it an immortality (ib.: 329-30).

With the end of the economic problem, men will be free and able to love their cat: "I feel sure that with a little more experience we shall use the new-found bounty of nature quite differently from the way in which the rich use it today, and will map out for ourselves a plan of life quite otherwise than theirs" (CW IX: 328). The "old Adam" with "intense, unsatisfied purposiveness" (ib.: 329) will be substituted for by another kind of man, less preoccupied with accumulation of wealth; when the latter is "no longer of high social importance, there will be great changes in the code of morals" (ib.).

We shall be able to rid ourselves of many of the pseudo-moral principles which have hag-ridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest virtues. We shall be able to afford to dare to assess the money-motive at its true value. The love of money as a possession – as distinguished from the love of money as a means to the enjoyments and realities of life – will be recognised

for what it is, a somewhat disgusting morbidity, one of those semicriminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease. All kinds of social customs and economic practices, affecting the distribution of wealth and of economic rewards and penalties, which we now maintain at all costs, however distasteful and unjust they may be in themselves, because they are tremendously useful in promoting the accumulation of capital, we shall then be free, at last, to discard (ib.: 329).

In positive,

We shall once more value ends above means and prefer the good to the useful. We shall honour those who can teach us how to pluck the hour and the day virtuously and well, the delightful people who are capable of taking direct enjoyment in things, the lilies of the field who toil not, neither do they spin (ib.: 331).

As known, Keynes warns against his own prediction:

But beware! The time for all this is not yet. For at least another hundred years we must pretend to ourselves and to every one that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight (ib.: 331).

Soon afterwards, however, he explains that the change will not come as a catastrophe. “Indeed, it has already begun”:

Meanwhile there will be no harm in making mild preparations for our destiny, in encouraging, and experimenting in, the arts of life as well as the activities of purpose. But, chiefly, do not let us overestimate the importance of the economic problem, or sacrifice to its supposed necessities other matters of greater and more permanent significance. It should be a matter for specialists-like dentistry. If economists could manage to get themselves thought of as humble, competent people, on a level with dentists, that would be splendid! (ib.: 332).

Do not overestimate the importance of the economic problem: a suggestion Keynes offers not to a remote future, but now, at the times of his writing. Mini (1991, 1990) is right to claim that Keynes’s anti-utilitarianism is more concerned with capitalism as a *Zeitgeist* than with Bentham’s philosophy directly. In his December 1925 notes on the love for money, Keynes attacks the “test of money measurement [*which*] constantly tends to widen the area where we weigh concrete goods against abstract money”, the “sanctification of saving” and the tendency to “sacrifice the present to

the future” without being sure that the exchange is worth while (reported in Skidelsky 1992: 240-41). That same year, in “A Short View of Russia”, Keynes exposes his criticisms to modern capitalism, apparently running counter the argument he later used in the *Economic Possibilities*:

We used to believe that modern capitalism was capable, not merely of maintaining the existing standards of life, but of leading us gradually into an economic paradise where we should be comparatively free from economic cares. Now we doubt whether the business man is leading us to a destination far better than our present place. Regarded as a means he is tolerable; regarded as an end he is not so satisfactory (CW IX: 268).

Provided the essay is interpreted in the terms outlined above, however, no discontinuity appears with the *Economic Possibilities*. Secularisation allowed the “Protestant” and the “Puritan” to separate business from religion, because “the first activity pertained to earth and the second to heaven, which was elsewhere” (ib.), while the “believer in progress could separate them comfortably because he regarded the first as the means to the establishment of heaven upon earth hereafter” (ib.).

But there is a third state of mind, in which we do not fully believe either in a heaven which is elsewhere or in progress as a sure means towards a heaven upon earth hereafter; and if heaven is not elsewhere and not hereafter, it must be here and now or not at all. If there is no moral objective in economic progress, then it follows that we must not sacrifice even for a day, moral to material advantage – in other words, that we may no longer keep business and religion in separate compartments of the soul (ib.).

Here is the core message of the *Economic Possibilities*: heaven must be here and now or not at all.

Consider Keynes’s 1933 heretic essay on *National Self-Sufficiency*:

To-day we suffer disillusion, not because we are poorer than we were – on the contrary, even to-day we enjoy, in Great Britain at least, a higher standard of life than at any previous period – but because other values seem to have been sacrificed and because they seem to have been sacrificed unnecessarily, inasmuch as our economic system is not, in fact, enabling us to exploit to the utmost the possibilities for economic wealth afforded by the progress of our technique, but falls far short of this, leading us to feel that we might as well have used up the margin in more satisfying ways (CW XXI: 242-43).

In *Art and the State* (see Cedrini 2006), Keynes attacks “the utilitarian and economic – one might almost say financial – ideal, as the sole, respectable purpose of community as a whole; the most dreadful heresy, perhaps, which has ever gained the ear of a civilised people. Bread and nothing but bread, and not even bread, and bread accumulating at compound interest until it has turned into a stone» (CW XXVIII: 342). As pointed out by Moggridge (2005), the article signs “the beginnings of a revolution in the criteria for state action – away from Benthamism” (ib.: 546). In many respects, the *General Theory* too carries the weight of Keynes’s anti-Benthamism (Mini 1991).

Keynes’s Perspective on Happiness and Economics: Practical and Speculative Ethics, Happiness and Economics

Pecchi and Piga (2008) include in the introduction to their book a list of issues emerging from the contributors’ articles: significantly, happiness is missing – “It is a book about growth, inequality, wealth, work, leisure, culture, consumerism and entrepreneurship” (ib.: 1). Yet, the *Economic Possibilities* are based on, and reveal Keynes’s well-defined vision about happiness and economics. Let us take a closer look, helped by Keynes’s earlier and unpublished papers, at this missing issue (here we draw extensively on Carabelli 1998; Carabelli and De Vecchi 1999 and, more in general, Carabelli 1988), keeping in mind the five crucial issues of modern happiness economics recalled above.

In ethics, Keynes (1905c) distinguishes between “speculative ethics” and “practical ethics”. In his autobiographical essay *My Early Beliefs*, he defines the former as “one’s attitude towards oneself and the ultimate” and the latter as “one’s attitude towards the outside world and the intermediate” (CW X: 436). In other words, speculative ethics concerns ultimate ends and values of human action whose nature is intrinsically good: the reference is here to Moore’s “religion” – i.e. a religion Keynes got from Moore (see Keynes 1905c). In line with the author of *Principia Ethica*,

Keynes stresses that some general and abstract moral ends such as love, friendship, beauty, truth, knowledge are universally intrinsically desirable and ought to be pursued in any time and circumstance. Practical ethics is on the contrary the domain of politics and economics, and include probability, uncertainty and action as well. Practical ethics is at the service of ethics, that is to the construction of an ethically rational society: the ends of economics and politics are neither absolute nor universally valid, but act as necessary prerequisites for the development of the individual. Practical ethics, says Keynes in his earlier paper entitled *Miscellanea Ethica* (1905c), is concerned “with conduct: it would investigate the difficult questions of the probable grounds of actions, and the curious connection between ‘probable’ and ‘ought’: and it would endeavour to formulate or rather to investigate existing general maxims, bearing in mind their strict relativity to particular circumstances” (ib.).

In line with Keynes’s views on aesthetics – there are “many different kinds of beauty as of virtue” (Keynes undated-b: 5) – his ethics is grounded on the idea of pluralism of ends and values. Each end is composed by a plurality of quantitatively distinct parts – though each is essential to the completeness of life. This makes it highly difficult to reason in terms of intra-personal comparability of values (or in strictly consequentialist terms), and matches Keynes’s concerns for inter-personal comparability. In short, Keynes is closer to Aristotle than Plato (better, than Plato in his early writings): contrary to the latter, the former believes that there exists a plurality and a variety of goodness, so that the good cannot be measured on a univocal scale (Nussbaum 1984). Keynes thus ideally establishes a tradition which was to emerge fully in the Sixties, that of plurality and mutual irreducibility of goodness, which Sen (1981) later brought to the attention of the economists. In his paper *Virtue and Happiness*, Keynes (1905b) identifies three ultimate ends of life, pleasure, goodness and happiness, and is careful to distinguish firstly pleasure from goodness; secondly, goodness from happiness. Among pleasures are to be found “the gratification of bodily

desires, both legitimate and illegitimate; the excitement of expectation, such as gambling or daydreaming; the excitement of novelty; the pleasures of gratification – of pride, or vanity, or ambition, or enmity; all kinds of pleasures of success” (ib.: 10-11). As to the differences between pleasure and goodness, in line with Moore he claims that “good and pleasure are not always readily distinguished; this other confusion, if confusion it be, is even easier (ib.: 10). To explain his views on happiness, Keynes refers to Plato’s *Symposium* and the birth of Love from Poros and Penia. Love, that is happiness in Keynes’s interpretation, takes on both parents’ characteristics, and lies in a middle position between good and pleasure as well as between wisdom and ignorance.

One day as the good lay asleep, pleasure, who is, of course, of a very lustful nature, came and lay beside him and conceived this child happiness. Now despite the circumstances that attended his birth, his father has never forsaken him and he has succeeded in inheriting the characteristics of both his parents. Now the most obvious criticism of this is to point out that all I mean by happiness is the enjoyment of that class of pleasurable things which happen at the same time to be good. But I do not think I am making this mistake. I admit the relationship but I deny the identity (ib.: 6-7)

This amounts to deny that happiness is reducible to pleasure: “The happy state which I am thinking of is specifically different from the pleasurable state; and I must try and make clearer what it is precisely that I mean” (ib.: 8). Contrary to pleasure, happiness does not necessarily imply for Keynes the absence of pain: while pleasure and happiness are difficult to distinguish, and may coexist, “pain and pleasure can scarcely be supported to coexist - save in the sense that a state involving elements of pain can still contain a balance of pleasure on the whole” (ib.).

Here lies the peculiarity, with respect to Moore, of Keynes’s views on happiness: according to Keynes, Moore had *de facto* reduced love and happiness to goodness without pleasure. Since Keynes was fond of ancient Greek tragedy (as confirmed by his own words: see Carabelli 1998), it is not surprising that his notion of happiness be so close to that envisioned in Greek poetry. In *Virtue and Happiness*, Keynes refers to Hecuba in Euripides’ *Troads* and believes her to be a happy,

tragic hero.

For instance, persons, in such situations as we call tragic, may I think be at the same happy in the sense I am suggesting. When at the end of the Troads, despite and through the overwhelming horror of her situation Hecuba suddenly realises the splendour of her own tragedy, she is happy. There is an element of happiness in most heroic states of mind. Occasions, felt intensely to be good, are happy. A man, who feels securely that he has a grip on something really worth having, is happy. A man, who sees ail lead suddenly to good, is happy (Keynes 1905b: 8).

To sum up, happiness cannot be reduced to pleasure. As a mixture of body pleasures, desires – which are heterogeneous and incommensurable – and goodness, happiness, which is likely to coexist with pain shows to be a synthesis, not a sum, of heterogeneous values, desires and virtues. For sure, it cannot be held to represent a unidimensional or uniscalar attribute of man's states of mind. Happiness is associated with pain; with tragedy, as seen, but also with contentment, i.e. a "an almost perpetual temperamental satisfaction with one's environment – the cat-on-the-matting attitude" (ib.: 11-12). To Keynes the man of action, however, "disappointment may be better than contentment" (ib.: 12). Here is another reason why Keynes's and Moore's views cannot be fully reconciled one with the other: the latter reduces virtues to private virtues only, thus spoiling political action of its virtuous aspects. Finally, happiness can be associated with virtue:

When we are told that the virtuous and consequently happy man is he who is in harmony with his environment, who modifies his desires to match his opportunities, who puts himself beyond the reach of disappointment, something of this kind seems to be suggested (ib.: 12).

In effect, Keynes's ethics is an ethics of virtue as ancient Greeks understood it, emphasizing friendship and affiliation, moral emotions, as well as – note the parallel with Keynes's notion of changing circumstances in *A Treatise on Probability* – the contextual particularity of right action (Carabelli 1998). To Keynes too, a good life is a life worth being lived, a moral life: in his early paper on *Egoism* (Keynes 1906), he maintains that to be good is more important than to do good. His view of the good and happy life is really close to Aristotle's, whom he read with much delight,

as confirmed by a 1906 letter to Strachey (see Carabelli 1998). To Keynes too, friendship and affiliation have intrinsic value as constituent parts of the good and happy life, and as such contribute to the development and exercise of the virtues, but their value derives from also from their being elements in all ends of life. If Aristotle stresses that every form of virtuous action is action for and to others, Keynes too distinguish clearly between good as instrument and good in itself.

What is more, Keynes's notion of happiness is close to Aristotle *eudaimonia*, as Keynes himself maintained in *Virtue and Happiness*: "Sometimes, perhaps always, the Greeks, and especially mr. Aristotle, came nearer to meaning this" (Keynes 1905b: 11). In the *Ethica Nichomachea*, Aristotle describes happiness as the state of one's life having a point or meaning, and a meaningful life as a sum of activities worthwhile in themselves. "Eudaimonia", or human flourishing, is thus the activity of soul in accordance with virtue. The goods that make up human good are not unitary: "But of honour, wisdom and pleasure, just in respect of their goodness, the accounts are distinct and diverse" (*Nichomachean Ethics* I,6 1097a24). Therefore, eudaimonia is conceived as an interlocking whole made up of a number of related yet distinct parts – usually they are forms of activity, e.g. in accordance with each virtue: reflective and contemplative activity, activity with an towards friends – each of which is chosen and valued for its own sake. This clearly distinguishes ancient Greek ethics from both deontological theories (virtuous actions are chosen for their own sake) and consequentialism (the rightness of an action depends on its relation to the end). As we will argue in a moment, Keynes believes in line with Aristotle and ancient ethics that the good life has necessary material and institutional necessary conditions: human flourishing requires material prerequisites. For Keynes, the task of political economy as a moral science is precisely to supply these material conditions as necessary preconditions for the good and happy life.

The most powerful of Keynes's criticisms of Moore's ethics concerns the former's suggestion that states of mind are to be evaluated in isolation, that is apart from the state of affairs associated with them. In effect, Keynes include tragedy itself in the domain of speculative ethics: noble states of mind can coexist with tragic (i.e. bad or unjust) states of affairs. States of mind and states of affairs – he believed, again versus Moore, that both can have intrinsic value – are to Keynes organically interconnected, and have the character of relational goods. These amounts to recognize that some conception of other people's states is necessary for ethical judgement. A good life may, in other words, be associated with tragic dilemmas and disasters (see Keynes undated-a). This clearly opens the way to evaluations concerning life as a whole, the whole conduct and character of man, which is again typical of ancient ethics:

The complex to which the attribute of virtue can be given is of a different kind. Only persons can be virtuous. But it is not on account of single states of consciousness that they are virtuous. It is an attribute of their conduct as a whole, of the organic unity composed of their successive states of consciousness ... It is, in fact, to these things rather than to states of mind regarded in isolation that our emotions of approval and disapproval instinctively refer. I do not think that these feelings would be as direct as they appear to be, if they were based in reality on a calculation of the effects on states of mind of the states of affairs in question, and were only hated in the way in which we hate the rain that wets us (ib.: 8).

Keynes's ethics is thus concerned with the whole conduct of human life: not only with single actions and related moral duties, but with the whole texture of the character from which the act flows, with motives and intentions, and even reactive feelings and emotions. Therefore, it will not be hard to recognize that Keynes' notion of happiness implies that human goodness is fragile, and happiness itself may be tragic. A good and virtuous life may be associated with tragic dilemmas – hence the “fragility of goodness” (Nussbaum 2001) characterizing ancient tragedy –, i.e. situations where we are compelled to act despite whatever we do is to cause pain to somebody else. It is to be noted that Keynes's tragic hero has a “true combination of passion and intellect” (Keynes 1905a). In a way, this resembles his theory of probability, which stresses the requirement of limited reason

and intuition, that is the combination of non-demonstrative logic with intuition and direct judgements (see Carabelli 1988). In short, there is no rigid separation between these two groups of faculties. And, as for ancient Greek ethics, reason can influence passions through education: like Aristotle, Keynes thinks that tragedy plays a positive role in educating men to virtue.

Moral conflicts and dilemmas in life derive from the existence of a plurality and variety of goodness, which imply the possibility of a clash between irreconcilable claims. Moral dilemmas stem from a plurality of mutually irreconcilable moral ends and values which may all make claim upon us in a given situation. As happens in tragedy, life circumstances may carry with them tragic choices and dilemmas threatening the harmony of interests: conflicts may arise due to the lack of a common unit of measure or scale to weigh opposite claims. Keynes's early writings on ethics are disseminated with references to the conflict between rational egoism and rational benevolence, between being good and doing good, between public and private life; moral dilemmas like Agamemnon's tragic choice, and conflicts of desires, whose plurality and heterogeneity lies at the basis of the so-often experienced impossibility to reconcile them with one another. Both ultimate desire, pleasure and goodness may obviously clash, since they are incommensurable, that is irreducible to common terms (see Keynes 1906). In *Virtue and Happiness*, Keynes explains that we have

two conflicting kinds of judgement, a hedonistic judgement and an ethical judgement - both ultimate and both alike in this respect (...) We desire pleasure, and we desire the good; it is as little worth while to ask why in the one case as in the other; and the first is as much or as little of a purely psychological statement as is the second. It is - obviously enough - in the attempt to reconcile these two incommensurable units that a score or so of religions and philosophies have begun (Keynes 1905b: 4).

The most interesting aspect lies in Keynes's criticisms of the historical methods used by religion and philosophy to solve these conflicts, that is to reconcile irreconcilable claims. In the case of the conflict between goodness and pleasure, Keynes discusses extensively three such methods: first, to

reduce the good to the pleasurable, i.e. the solution adopted by Utilitarianism; second, to associate with no exception the good with the pleasurable; third, to deny the authenticity either of goodness or of pleasure – the latter is Moore’s method. In short, Keynes notes, the choice is between reducing the two terms to one or denying the existence of one of the two terms. Once again, he adopts an Aristotelian attitude in stressing the plurality and variety of goodness and dismissing the possibility to reduce good to a univocal scale, as well as in attacking both the method of Utilitarianism and, perhaps more surprisingly, Moore’s method, which in the end comes really closer to Plato’s view.

Rational dilemmas originate from conflicting reasons, grounds, arguments, evidences, and lead to uncertainty, indecision, vacillation of judgement, indeterminate action. As in the dilemma of Buridan’s ass, there is no general rule of decision to solve the dilemma. When reasons are plural, dimensionally non-homogeneous, not measurable through a common unit nor they can be weighed on a common balance; in short, when reasons are incommensurable and non-comparable, rational dilemmas arise. This is often the case in probability, when the probabilities of differing alternatives cannot be ordinally ordered; or when, even though probabilities are rankable, there is nonetheless a conflict between different orders of probability, which are heterogeneous and move in incommensurable directions and dimensions. Keynes’s interest in incommensurability and non-comparability of magnitudes, reflecting his vision of social life as complex and his constant attempt to reason about economics in terms of the need to cope with social complexity, is connected with the notion of complex magnitudes such as real income, real capital and the general price level (see Carabelli 1992). A famous passage of the *General Theory* reads:

To say that net output to-day is greater, but the price level lower, than ten years ago or one year ago, is a proposition of a similar character to the statement that Queen Victoria was a better queen but not a happier woman than Queen Elizabeth – a proposition not without meaning and not without interest, but unsuitable as material for differential calculus. Our precision will be a mock precision if we try to use such partly vague and non-quantitative concepts as the

basis of a quantitative analysis (CW VII: 40).

In general, Keynes's methodological position derives from the need to tackle organic interdependence among the variables of the macro-system without theoretically reducing its complexity. One of the most remarkable traits of the continuity in Keynes's writings is his refusal to endorse the atomic hypothesis and the reductionism it implies with respect to organic interdependence both in probability and in economics, with relevant consequences for the choice of units (see Carabelli 1992). In the *General Theory*, Keynes refers to the choice of units as one of "the three perplexities which most impeded my progress in writing this book, so that I could not express myself conveniently until I found some solution for them" (CW VII: 37). Real income, or "the community's output of good and services", in particular, "is a non-homogeneous complex which cannot be measured" (ib.: 38). True, it raises "purely theoretical" (ib.: 39) problems, since the meaning of such vague concepts like real income is fully grasped in ordinary language and can be used for practical purposes. However, the endeavour to "erect a quantitative science" (ib.: 40) upon complex concepts, which runs the risk of leading to fallacies of composition and paradoxes, is for Keynes a logical failure, and should lead to a critique of both classical economist and modern research for micro-foundations of macroeconomics. Hence the choice, among others, of using employment as a proxy for the volume of output and real income in the *General Theory*: as he had remarked in his 1909 essay on *The Method of Index Numbers with Special Reference to the Measurement of General Exchange Value*, "if we can find another quantity somewhat similar in its properties [*i.e. the two magnitudes "increase and decrease together, though not in a definite numerical proportion"*, CW VII: 41] to the national income but measurable, this may serve our purpose almost equally well" (CW XI: 55). Might this be also the reason why in the *Economic Possibilities*, the age of abundance is measured in terms of employment and hours worked instead of income?

To set forth these kinds of continuities, we are bound to remind that to Keynes, probability

is the true guide of life, as opposed to sceptical positions such as those of Moore and Burke, or Hayek himself. Moore theoretically accepts the Benthamite calculus as a tool of practical ethics, but believes that it is practically impossible to implement it since we are ignorant of remote future. He thus ends up with justifying, in such cases, the adoption of traditional rules of morals.

Keynes, on the contrary, believes that “ignorance can be no bar to the making of a statement” (1904: 25). In short, he holds that private or public action is reasonable even in case of limited knowledge about circumstances and the consequences of our actions. Probability is in fact to Keynes the hypothesis upon which it is reasonable for us to act. The principles that govern human action are those of probable reasoning, i.e. they are logic and objective: though the selection of evidence is subjective, probability, given the evidence, is objective. Of course, in cases of radical uncertainty, people can but take refuge in conventional expectations: these are cases where following rules is rational. But these are artificial conventions, and much work can be done on them: for instance, they can be substituted for by less harmful conventions. This should be the task of public institutions (see Carabelli and De Vecchi 2001).

According to Keynes, as collective agents endowed with an artificial mind and able to collect more knowledge than individuals, public institutions should remedy to the negative social effects of complexity in human society. Although they themselves depend on partial reason and probable judgement, both their public spirit and ability to take upon them part of the risk that individuals simply cannot bear are of help in case of social need, that is when individual initiatives – for instance, those connected with the utilitarian attitudes condemned by Keynes in the *Economic Possibilities* as well as in the whole bulk of the rest of his writings: love for money, rentiers-like behaviors, hoarding, abstinence, etc. – originate irreducible conflicts between particular and general interest, or when – this is Keynes’s “reasonable” justification of economic intervention – uncertainty and ignorance promote the formation of conventional expectations substituting for

reasonable expectations.

This leads us back to Keynes's distinction between speculative, on the one side, and practical ethics and conduct on the other. As an instrument towards an end – human flourishing – rather than an end in itself, economics belongs to practical ethics. Keynes underlined on many occasions that market competition and the results it brings about depends chiefly on the possibility, for independent individuals, to acquire the use of scarce means, rather than on the nature of their needs (see Carabelli and De Vecchi 1999). The market cannot be invoked to solve the problem of composition fallacies, since it often lies at their origins. It tends to induce individuals to seek money for money's sake, and to profit not from enterprise but from instability. If Keynes invokes public intervention, this is because individuals left alone cannot legitimately aspire to satisfy their basic needs through decent levels of consumption unless they found themselves in extremely fortunate circumstances. Public intervention must correct the ethically undesirable results of the market.

However, as is implied in Keynes's exchange letters with Hayek, economics is an instrument, a precondition to facing the real problems, namely those concerning the spiritual ends of men. Keynes replies as follows to Hayek's critique of constructivism:

would it not be more in line with your general argument to urge that the very fact of the economic problem being more on its way to solution than it was a generation ago is in itself a reason why we are better able to afford economic sacrifices, if indeed economic sacrifices are required, in order to secure noneconomic advantages? (CW XXVII: 385).

Interestingly, this was also the substance of Keynes's attack on socialist thinkers, who

ask us to concentrate on economic conditions more exclusively than in any earlier period in the world's history precisely at the moment when by their own showing technical achievement is making this sacrifice increasingly unnecessary. This preoccupation with the economic problem is brought to its most intense at a phase in our evolution when it is becoming ever less necessary (ib.: 386).

Ultimately, these sacrifices can be afforded because the ends of economics and politics are neither absolute nor universally valid: rather, they are preconditions to human real ethical ends – those of speculative ethics – and should be “matter for specialists like dentists” (CW IX: 332). Aptly managed, economics can persuade individuals to modify their use of resources so as to satisfy their material needs. The scarcity neoclassical economics talks about is a scarcity of capital – artificial, not natural scarcity. And it stems from the motivation of money for money’s sake being reserved much greater importance than deserved – if any –, says Keynes in his letter to Hayek:

What we need therefore, in my opinion, is not a change in our economic programmes, which would only lead in practice to disillusion with the result of your philosophy; but perhaps even the contrary, namely, an enlargement of them ... No, what we need is the restoration of right moral thinking – a return to proper moral values in our social philosophy (ib.: 387).

This is why Hayek cannot agree with Keynes. He fears lest Keynes want to impose a particular scale of ends to mankind. This derives from Keynes’s choice to assign public institution the task of socializing altruism (see Carabelli and De Vecchi 2001) to pursue social justice when the latter is put at risk by the clash of individual interests. But Keynes praises the autonomy of individual judgement as opposed to Hayek’s suggestion to follow rules and thinks, contrary to Moore – who had claimed that in case of contrast between particular and general interests, the individual had a duty to be altruistic – that by adopting a public-spirited, altruistic attitude, institutions can protect the individuals.

Lastly, Keynes calls attention – the same goes for Aristotle, who believes that it is possible to choose deliberately what kind of life one wants to live – to speculative ethics as a rational analysis of the ultimate aims of human action, i.e. it is rationalistic: one can apply reason to it and make a reasonable discussion of ends (see Carabelli and De Vecchi 1999). Keynes conceives of economics as an instrument to free men from necessity and limits restricting the possibility of

individual choice of ends. To say this in positive, men must be given the possibility to use the necessary means to satisfy material needs – as prerequisites to enjoy a good and happy life, since, as remarked by Sen (1985) in line with Aristotle himself in *Politica*, a poor, exploited, overworked and ill person cannot be said to be happy unless external authorities persuade her to believe so by social conditioning: contrary to what Utilitarians hold, “the standard of life cannot be so detached from the nature of the life the person leads” (ib.: 7-8) – and thus be free to consider non-material ends which they could not even know before but prove to be indispensable to express authentic human qualities.

Concluding Remarks

We argue that Keynes’s vision of happiness and economics involves an articulate discussion of quite complicated issues such as speculative and practical ethics, individual freedom and public policy, anti-utilitarianism and rationalism. The reluctance to “accept” Keynes’s legacy with respect to the “happiness and economics” debate equals the unduly restricted perspective used by today’s economist to read the *Economic Possibilities*. Neither a simple prediction of the economic possibilities of the children of the twenty-first century, nor the utopian dream of a tremendously influential economist showing for once millenaristic tendencies. In revisiting the *Economic Possibilities*, one could follow Kregel’s (2008) advice with regards to the *General Theory*, i.e. read the title first: Keynes focuses on economic possibilities, not on certainties about morals. In other words, he believes that the end of the economic problem will grant human beings a possibility of moral renaissance, as well as the chance of a happy life. But Gordon’s (2005) words about Aristotle equally apply to Keynes: “it is pointless to examine the means of increasing one’s possessions quite independently of the analysis of the appropriate attitudes which enable the individual to direct those possessions to the maintenance of his own happiness” (ib.: 402).

What for modern happiness economics? The comparison with Keynes may show that today's debate on happiness – better, mainstream happiness economics – is limited in scope and method: the task of happiness research essentially lies in seeking for the determinants of happiness by the use of data on reported subjective well-being, thus enabling economics to extend over unexplored areas (see Frey 2008). In discussing Keynes's vision, we kept in mind what we had identified as the five crucial issues of mainstream happiness economics. It will not be difficult to recognize that Keynes's treatment of these five issues tend to reflect concerns which are typical of most accurate criticisms of contemporary happiness research.

From what precedes, one can easily note that Keynes was perfectly aware that money cannot buy happiness: to him, material wealth and happiness belong to separate ethical domains or even different ethics. Economics belongs to practical ethics, and his belief is that it must be considered as an instrument to attain the ultimate aims of speculative ethics, such as happiness. Moreover, his notion of happiness related to a good life is shown to be quite closer to Aristotle's eudaimonia. Utilitarianism is ruled out from the beginning, and constantly attacked by Keynes not only as a wrong guide for decision, but also for its decisive contribution in creating those same fallacies which prevent economics to fulfil its purpose, which is that of freeing men from necessity. Not only, but income is to Keynes a complex magnitude belonging to a context, that of monetary macroeconomies, characterized by organic interdependence among variables as well as problems of multidimensionality, incommensurability and non-comparability. As a consequence, it requires careful treatment from the economists themselves in their choice of units for quantitative macro-analyses. Such concerns lie at the very basis of Sen's criticism of the restricted utilitarianism, or pure welfarism of economic theory after Robbins *and* modern happiness economics (Sen, 2006). Moreover, this aspect reminds us of contemporary disputes about measurement problems with happiness data (see Johns and Ormerod 2007).

More importantly, perhaps, Keynes believes that happiness – and goodness – cannot be reduced to pleasure (which is itself heterogeneous, as for Aristotle and Mill) though they usually (not always) accompany each other. Nor can they be treated as homogeneous, unidimensional concepts. Keynes maintains that there exists a plurality of values and ends. Happiness is to him a composition of heterogeneous and incommensurable values, desires and virtues, and his ethics concerns the whole conduct of human life, rather than a simple aspect of well-being. A key word is thus, in many respects, complexity. Pasinetti (2003) argues that by focusing on “the study of material level at a *macro*-economic level, [*classical*] analysis left the possibility open to investigating any sort of human behaviour at a micro-economic level, including of course the multidimensional aspects embodied in the concept of human happiness” (ib.: 7). We have tried to show that Keynes is not only a thinker of complexity in economics (see Carabelli 1988, Marchionatti 2009) but, more in general, in ethics and the evaluation of human life. It is just the complexity of human life that mainstream happiness researchers seem to disregard (see Nussbaum 2008; Arrigo and Sordelli 2004). Nussbaum (2008) holds this to be reflected in the lack of concern for the plurality and variety of pleasures, as well as for the bias that pleasures conceived of as a single quantitative dimension imposes on the “reported subjective well-being” technique. People are asked how satisfied they are with their life as a whole and cannot answer but by aggregating different experiences into a single whole, with the result that they cannot even say something plausible – i.e., reflecting what they experience in life – in their replies. Mainstream happiness research shows little concern for Socrates’ warning about the little – if any – value of an unexamined life, i.e. it shows no concern for the reflective element in happiness. Finally, Nussbaum notes, happiness researchers fail to realize that happiness does really usually coexist with pain, as Keynes maintains.

Remarkably, mainstream happiness economics follows neoclassical economics in refusing

to engage in a rational discussion on ultimate ends; it ends up with denying people the possibility to choose, as claimed by Sen (2006) and the advocates of the capability approach. Happiness research ought to be chiefly concerned with autonomy, which is not – relying on Deci and Ryan’s findings about people’s expectations for relatedness, competence and autonomy, Frey’s 2008 volume is a notable exception. This is why we should be unhappy with happiness economics (Barrotta 2008). Keynes’s perspective on happiness and economics is here shown to offer valid theoretical contributions to the debate. On the one side, it *complicates* matters, as seems increasingly – though often implicitly – required by researchers themselves in their quest for a more comprehensive account of the relationship between material conditions and happiness. Keynes’s notion of happiness is affected by his concern for the complexity and multidimensionality of economic magnitudes as well as probability as a guide for decision and a tool for ethics, to the extent that happiness itself is for Keynes a complex concept (Carabelli, 1998). On the other side, Keynes’s vision *simplifies* matters, by bringing back the domain of economics into the realm of means, thereby reducing the need to indefinitely enlarge the scope of happiness economics and exploring the possibility to use proxies for quantitative analysis. More in general, the legacy of Keynes’s thinking about happiness shows a viable way of dealing with multidimensionality and complexity without reducing the relationship between material conditions (utility) and happiness to a connection between akin, though heterogeneous, concepts.

Finally, contrary to mainstream happiness economics, Keynes believed that reason can be applied not only to practical ethics and economics, but also to speculative ethics and happiness. Pasinetti (2003) is right to say that “we should not fear to go straight – as indeed Keynes did – to discuss ends and *social goals*” (ib.: 8). Economics should ensure the material preconditions for a happy life, not happiness itself; it should allow men the possibility to freely formulate and choose among alternative plans for one’s life. The problem with happiness economics seems in the end, to

use the lexicon of the *Economic Possibilities*, the “economic problem” of happiness.

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