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## Caring and Theories of Welfare Economics

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### **Abstract**

This paper explores the relationship between theories of welfare economics and our understanding of the care of old people within families. It is difficult to make sense of family caring relationships within the framework of any single approach to welfare economics. Standard utilitarian welfare economics implies that there are no transcendent standards of morality, virtue or justice for appraising human actions. This view is hard to reconcile with the amount of care given by families to dependent and vulnerable old people living at home. The nature of informal caring relationships rests on a delicate balance between affection, reciprocity and moral responsibility. Utilitarianism is a useful way to begin the evaluation process, but it cannot fully capture the complexity of caring relationships, which require a far deeper understanding of human interaction than revealed preference analysis allows. Economists, and others working in this area, must be prepared to explore other theories of welfare economics if progress is to be made on understanding care relationships.

**Keywords:** Caring, Families, Old people, Welfare Economics

**JEL Classification:** D63, I10

# 1 Introduction

In recent years, several important papers on the relationship between economics, public policy and values have been published (Aaron, 1994; Hausman and McPherson, 1993a, 1993b; Sen, 1987, 1995). While many different issues are raised by the various authors in these and several other papers, we believe that this work has the potential to significantly alter the relationship between economics and public policy. Hitherto, the role of economists in public policy has been regarded as the provision of technical advice on how different objectives might best be realised. In the main, this advice was developed from the standard neoclassical paradigm, wherein it is assumed that individuals are rational and self-interested. Policy advice was typically developed within the utilitarian philosophical framework in which outcomes are evaluated solely in terms of the degree to which individuals' welfare orderings are satisfied.

The work by Aaron, Hausman and McPherson, Sen and others challenges this paradigm in a number of ways. First of all, it argues that a broader model of individual behaviour is necessary in order to develop appropriate public policies for various social problems and to understand the effects of different policies on human behaviour. Secondly, it argues that an analysis of preference formation is required if effective public policies are to be formulated. Thirdly, it argues that rather than relying on a single philosophical framework, alternative models, which go beyond preference satisfaction as the criterion by which policies are to be evaluated, need to be used.

The aim of this paper is to explore these ideas in the context of public policy in one particular area of social care, namely care of the elderly. Population ageing is a general trend in all countries of the European Union. The overall transformation in the age structure of the population is taking place within a relatively short time period and is likely to pose a number of important policy challenges in the area of long-term care. Primary among these is the issue of the placement of vulnerable and dependent old people in either community or residential care. The overall cost of residential care for a rapidly ageing population is likely to increase significantly. This may weaken the current implicit social contract between the generations, with more emphasis placed on individual responsibility for long-term care. The community health care services are likely to come under pressure as more emphasis is placed on keeping people in their own homes for as long as possible. Family life is also likely to experience strain, as increasing numbers of frail older people need more intensive levels of care from their kith and kin. If female participation rates continue to increase then we are likely to see greater conflict within the nuclear family over the provision of care to ageing relatives.

The question we raise in this paper is "What frameworks are available to economists wishing to discuss public policy issues in care of the elderly?" We argue that there are shortcomings in the standard utilitarian model used by many welfare economists. Utilitarian welfare economics implies that there are no transcendent values or standards of morality for appraising human actions. If we accept this view, then it is difficult to understand placement decision-making in care of the elderly, particularly the amount of care given by families to dependent and vulnerable old people living in the community. Our position is that the long-term care of old people is one area of public policy where philosophical and moral positions matter. It is not enough to talk about allocative efficiency as if questions of equity and values are unimportant, or can be left to others. Caring decisions incorporate elements of altruism, commitment, duty and responsibility that are intimately bound up with how people think of themselves and of others. Thinking about ageing issues, without reflecting on ethical, moral and community issues is likely to be counter-productive for economists seeking to understand individual and family decision-making in this area.

The paper is organised as follows: we first explain how the Arrow impossibility theorem compels utilitarians to take account of interpersonal comparisons of utility. We go on to discuss why moral and ethical issues matter for economics in general, but particularly for welfare economics. The utilitarian approach to understanding care provision is explored in some detail. We then outline some alternative approaches which explicitly incorporate notions of values, community and fairness into decision-making on economic and social issues. The relevance of these frameworks for ageing issues is discussed in each case.

## 2 Neoclassical Welfare Economics

Welfare economics can be viewed as an investigation of methods of obtaining a *social ordering* over alternative possible *states of the world*.

(Boadway and Bruce, 1984 p.1, original emphasis)

Up to 1951 there was little dispute about the goal of welfare economics. Economists regarded welfare economics as the branch of the discipline that outlined what a governing body ought to do. It was taken as given that the term maximising welfare had a meaning and that this meaning was based on the philosophical theory of utilitarianism. There was considerable debate within the profession about whether utility was an ordinal or cardinal concept. This

seemed to have been resolved with the publication in 1938 of Abram Bergson's paper, "A Reformulation of Certain Aspects of Welfare Economics". This showed that the conditions for economic efficiency could be formulated precisely without completely specifying what the underlying social welfare function was. By simply specifying  $W$  as taking the form of  $W(U_A, U_B)$  and assuming that  $W$  was a positive function of the utility of each individual, it was possible to show that the position of maximum welfare would be one where allocative efficiency was attained and also, one where the marginal contribution to welfare of each individual was equalised (Bergson, 1966).

This resolution did not last very long, however. In 1951, Arrow analysed whether reasonable collective choice rules could be found so that the social welfare function could be derived from individuals' orderings over social states. He argued that reasonable rules should satisfy four conditions: universal domain, the Pareto principle, non-dictatorship and independence of irrelevant alternatives. He found that there was no reasonable method of aggregating individuals' orderings that yielded a consistent social ordering of social states.

Sen has argued that the critical lesson of the Arrow result is that it demonstrates the informational deficiencies of the ordinal utility approach. Sen claims that there are many reasons why we might undertake aggregation exercises. We might, for example, wish to aggregate the judgements of different individuals about which candidate or party should form a government. There are also exercises where people's (conflicting) interests about the distribution of income require aggregation (Sen, 1982, 1995). For the latter type of issue, the Arrow result is devastating, not because of the impossibility of arriving at consistent decisions, but because of the neutrality result that is proven by the combination of three of the four conditions assumed by Arrow. This neutrality result, combined with the eschewal of cardinal utility information, states that the only information which can be used in making social evaluations is ordinal utility information. This excludes any information about the social state or the position of the different individuals whose interests are being aggregated (Sen, 1985). It is precisely this type of information that is required for making decisions about income distribution. Sen's view is that the neutrality result indicates that the informational base used in making welfare evaluations must be broadened. If the informational base is to be broadened, then issues of morality and ethics must be explicitly discussed by welfare economists.

The standard argument against such discussion is that economics is concerned with the technical analysis of how the economy works and that questions of ethics are the domain of other disciplines. Economists like to think that they can neatly separate the analysis of how a particular policy change affects the economy from the question of whether or not the policy should be accepted. Hausman and McPherson (1993a) claim that the simple picture of the economist

who provides value-free technical information is at best a useful caricature.

One reason why economists should be concerned with moral, ethical and distributional questions is that the morality of agents influences economic outcomes. This is obviously true of the invisible-hand theorem. It is sometimes ignored that acting in one's self-interest is a moral decision and not just a natural or biological instinct. In fact, economic efficiency depends upon ethical values which can themselves be undermined by the development of market economies (Sen, 1977; Arrow, 1974). For example, the deregulation of financial markets in the United States attracted a large number of white-collar criminals to the Savings and Loan industry and the resulting crisis has had serious real negative effects on the American economy. Government investigators have found that there was fraud in at least 25 per cent of the cases of Savings and Loans bankruptcy (Milgrom and Roberts, 1992). Evensky (1992) argues that it is the morality that individuals learn through discipline, education and example, as they grow into a community, that provides the basis for the workings of the individual hand.

One aspect of behaviour that is particularly relevant to business is the question of trust. Coleman has analysed the decision to place trust within a cost-benefit framework. One of the interesting findings in his analysis is that small initial differences may be self-reinforcing through time (Frank, 1992). The evolution of trust may be an example of the type of co-operative behaviour studied by Axelrod where the initial positive response is continually reinforced (Axelrod, 1984). One of the reasons economists have not analysed trust may be that studying economics can have important effects on one's moral values. Based on experimental and charity donation evidence, Frank et al., (1993) conclude that economists appear to behave less co-operatively than non-economists along a variety of dimensions.

Standard welfare economics rests on strong and contestable moral propositions. In particular, the standard evaluation of a social outcome compares social alternatives in terms of the goodness of their outcomes (rather than the rightness of their procedures) and identifies the outcomes with satisfaction of individual preferences (Hausman and McPherson, 1993a: p675). Economists usually try to separate their analysis into efficiency effects and distributive effects and proceed on the basis that there is a trade-off between these objectives. There is an interesting bias in this analysis however; taxes which reduce efficiency are described as distortionary taxes whereas no such derogatory term is attached to policy changes that reduce equity (O'Shea and Kennelly, 1993).

O'Donnell (1992) argues that economists can learn something from the concepts and language employed by non-economists engaged in the policy-making process. Notions of fairness, opportunity, freedom and rights are arguably more important in policy making than are concerns about moving individuals up their

given preference rankings (Hausman and McPherson, 1993a: 677). In addition, there may be feedback effects from policy outcomes. Hahn (1982) argues that an individual's utility may depend on the manner in which a good is obtained as well as the good itself. He also argues that people have preferences over preferences and that these preferences may be affected by policy outcomes. This raises questions about the sharp distinction between positive and normative economics.

The standard utilitarian approach to well-being is based on the satisfaction of individuals' preferences. Social phenomena are explained in individual terms (Lukes, 1968). Each individual interacts with other individuals solely in terms of the contribution that others make to the realisation of his or her goals. The reasons for choice do not matter; the only important criteria is the extent to which individuals' preferences are satisfied. In classic utilitarianism, as developed by Bentham and Mill, utility is taken to be happiness or pleasure. Modern economists regard utility as an index of preferences.

One of the most difficult questions for utilitarians is whether preferences are always synonymous with value. Is knowledge of what people choose sufficient to arrive at conclusions about what they regard as valuable? A necessary condition is that value is equated with choice. Sen and Williams (1982: 13) argue that basing choice (or preference) on valuation is cogent in a way that basing valuation on choice (or preference) is not. Is it reasonable to identify well-being with preference satisfaction? What people prefer may not always be good for them. Sometimes people can make mistakes based on false beliefs. If, for instance, somebody believes that a glass of poison is water then one hardly makes that person better off by giving her the poison (Hausman and McPherson, 1993a: 690). There are other times when people are prepared to sacrifice their own well-being in pursuit of some other end (Hausman and McPherson, 1993b). In response to arguments of this type, some defenders of utilitarianism have claimed that only choices based on full information need be considered in the utilitarian calculus (Harsanyi, 1982). Mirrlees (1982: 67) argues that only choices that conform to the simple rational choice model should be used as a standard for judging what is best for individuals. The dilemma for utilitarians is that this approach, which is basically one of laundering preferences, undermines the consumer sovereignty individualistic ideal, which is, itself, a major element of the utilitarian framework.

Another issue is whether it is possible to reduce a complex process such as evaluation to a single index (be it choice-revealed preference, happiness, willingness to pay etc). Anderson (1993) argues that evaluative judgments are deeply pluralistic and that the process of arriving at reasoned judgments about evaluation is a fundamental part of our identity (see also Tungodden (1994) and Taylor (1993)). This means that identities are not fixed and that the process of deci-



sion making, rather than being simply one of straightforward introspection, may involve internal conflict between different elements in ourselves (Aaron, 1994).

Another problem for utilitarians is the question of interpersonal comparisons of utility. One way of doing this is to treat judgements about social states as subjective statements analogous with preferences. Harsanyi (1982) assumes that in assessing social states, individuals ignore all knowledge about their own position in society and, therefore, assume that they have an equal probability of any position. Individuals can, therefore, be analysed as if they were an impartial observer. They will try to envisage the subjective utility of each citizen under different social states and use these in forming ethical preferences. These preferences between social states satisfy the Von Neumann-Morgenstern axioms of expected utility theory (since the social states being considered are uncertain). Since, by assumption, the person carrying out the experiment is equally likely to be anybody, this amounts to saying that maximising social welfare means maximising the sum of individual welfares.

There are two main problems with Harsanyi's approach. One is whether it is reasonable to assume that individuals have sufficient information about the psychology of other people to allow them to engage in the interpersonal comparisons of the sort envisaged in his approach. Think, for instance, of how little understanding able-bodied people have shown for the individual needs of people with disabilities. The preferences of the latter have, by and large, been corrected and distorted to fit the needs of a disability-free world. The other problem with Harsanyi's approach is whether conceptually it is possible to evaluate another person's circumstances without any references to our own conception of the good. It is difficult to envisage how our interpretation of another person's position in life can fail to be influenced by self-formulated individual values. That being so, it is once again difficult to imagine the impersonality of impartial observers surviving the transition from the hypothetical to the actual. In thinking about the position of other people in society, individuals tend to bring their own values to bear on the reflective process.

### 3 Applications to Caring

#### 3.1 Standard utilitarian approach

The application of the standard utilitarian approach to analyse the provision of care for dependent old people by families and friends is fraught with difficulty. Utilitarianism is concerned with the amount of care on offer rather than

with the motivations for care-giving. Yet, it is difficult to make sense of the amount of care given by families to dependent and vulnerable relatives without exploring the reasons behind such a commitment. Evidence from Ireland suggests that family members spend an average of 47 hours a week providing care for dependent old people, a figure which increases considerably as dependency worsens (Blackwell et al., 1992). Old people in the highest category of dependency receive an average of 86 hours of care per week. Similar levels of family involvement in the care of old people have been documented in other European countries (Jani-Le-Bris, 1993). Carers frequently provide care well beyond the point where the marginal private benefit from an additional hour of care is equal to the marginal cost. Carers may even become ill themselves as a result of the caring process. Blackwell et al., (1992) found that nearly one-third of carers in Ireland are at risk of psychiatric distress. Almost two-thirds of carers find caring confining, while almost two-fifths report being completely overwhelmed by caring. The same authors found statistically significant relationships between increasing dependency levels and the following index items: physical strain, disruption of sleep, financial strain and emotional distress because of elderly person's behaviour.

While carers give up many things in order to look after their relatives, they are quick to distinguish between values and preferences. A monetary valuation on the opportunity cost of carer time can never fully capture the level of commitment involved in caring. This commitment involves a sense of obligation which goes beyond individualism and satisfaction of preferences. Faced with the reality of apparently non-optimal caring relationships, most neoclassical economists resort to altruism as an explanation for care provision. Altruism is largely interpreted as stemming from some combination of love and affection but it may also be affected by social norms, as well as by various forms of collective action to enforce these norms (Folbre, 1995). Women are regarded by some as natural carers and are expected to provide whatever care is required within families (Barrett and McIntosh, 1982; Dalley, 1988). Land and Rose (1985) describe normative social pressure of this sort as 'compulsory altruism'.

Whatever the source of the motivation, altruism can hardly explain why people provide care beyond levels that is good for their own health and well-being. To explain care decision-making as altruism one would have to accept that rational individuals deliberately set out to harm their own health by providing extraordinarily high levels of care for their dependent kin. For deliberate action it must be, since very few relatives of dependent elderly people can be unaware of the potential health hazards of excessive caring. Once care commitments are entered into they are difficult to disengage from and some people end up providing high levels of care, almost by default. To explain the latter in terms of altruistic preferences seems inadequate and leads us to explore other motivations for care provision.

One interpretation which explores life-time relationships within families is reciprocity (Folbre, 1995). People care in the expectation of a future payback, or as a *quid pro quo* for care already received. Finch and Mason (1993) argue that patterns of care within families are related to commitments and responsibilities which have evolved over time and incorporate elements of reciprocity between carer and old person. The key concept in understanding family caring arrangements is, therefore, that of accumulated commitments. Women tend to be more involved in developing sets of reciprocal commitments and responsibilities with kin than men are, but there is no automatic relationship between gender and caring relationships within the family. Underlying the caring process is a complex intertemporal trade-off involving the current utility/disutility associated with caring, commitments and reciprocal arrangements entered into in the past and the future pride carers may feel from having fulfilled their obligations under difficult circumstances. Wright (1987) points to the *ex-post* contentment some carers feel knowing that they fulfilled their obligations to the limits of their abilities in difficult and trying circumstances. Qualitative research from many countries confirm the value that carers put on the satisfaction received from having done what was necessary (Jani-Le-Bris, 1993). The satisfaction of having been useful or indispensable to someone, of having been responsible for them, endures, for some carers, long after the institutionalisation, or death, of that person, even where caring responsibilities imposed severe restrictions on the carer's own life.

Reciprocity depends on the nurturing of implicit contracts of a *quid pro quo* type over a period of time. People may welcome the opportunity to repay the care and kindness of their kin for purely self-interest reasons. Indeed some people may feel genuine frustration as a result of not having had enough opportunities 'to balance the books' in terms of their relationship with their elderly kin. The former may explain the asymmetry which is sometimes observed between the desire of carers to care and the unease some old people feel with respect to their relationship with carers. Many old people value their independence and do not want to rely on their relatives for extensive help and assistance (Finch and Mason, 1993). Reciprocity may also be driven by external sources, as some people feel compelled by social norms and community expectations to provide care to those who cared for them at an earlier stage of the life-cycle. They may feel frustration at having to care because this is what is expected by society. Qureshi and Walker (1989) found that one in six adult children in England considered that their relationship with their parents had always been one-sided and, therefore, they felt no obligations based on intergenerational reciprocity. These people were more likely to stress duty, prompted by conscience, or social pressure, as the main motivation for caring.

Moral obligation arising from a sense of duty may be an important reason why people care and may also explain why some carers continue to provide care

even though their relationship with the person receiving care is predominantly negative. This illustrates the danger of always equating well-being with revealed preference satisfaction. Some people may be prepared to sacrifice their own well-being in return for some other end (Hausman and McPherson, 1993a). Many carers speak of the caring process in Plato's terms as 'a spiritual pilgrimage'; as a desire to see something out to its conclusion in the search for what is good or what is right, irrespective of the personal sacrifice involved (Clifford, 1991). According to Finch and Mason (1993), people's identities as moral beings are intrinsically bound up in kinship exchanges of support and the processes through which they get negotiated. Through negotiations about giving and receiving assistance, identities are either being consolidated or undermined, resulting in moral positions being constructed and reconstructed through time.

The moral responsibility motivation for caring is particularly amenable to manipulation by public policy. Without the support of family carers, public policy for old people and disabled people would be very different. Family care also reflects public policy. The inadequate nature of community care in many countries means that families must care. There is a moral imperative, which goes beyond altruism and reciprocity, to provide assistance, since, without extensive family support life would be intolerable for people with disabilities living at home. Residential care would probably be the only option.

Social care in many countries across Europe is currently based on a substitution ethos. Public intervention is often of a minimum, last resort, kind. The primary responsibility for care is left to families, with the state playing a residual role in the caring process. But families are complex, both in their organisation and in the way commitments and responsibilities are negotiated over time. Relationships within families are less amenable to generalisation than policy-makers are sometimes prepared to acknowledge. That being so, there is no justification for treating families as homogenous units. More is not always better with respect to family care provision. The enforced fulfilment of moral obligation within families, through the under-provision of community care support structures, may actually undermine human relationships, leading to negative outcomes. In addition, efforts to promote family care as a mechanism for the control of public expenditure may further impoverish the public production of social care. Once social care is internalised within the family, some people may feel that it is their duty to buy their family's way into the best private services they can afford instead of working to improve public services (Donnison, 1994).

### 3.2 Communitarianism

The effect of community and social norms on the decision to care is very strong. Institutions and socio-economic processes influence the decisions that people make and the arrangements that they enter into with one another (North, 1990). Communitarianism offers a challenge to the methodological individualism of utilitarianism and constitutional economics. Communitarians argue that the self-interpretations that define a person have meaning only in the context of the social matrix within which individuals act. The capacity of an individual to make choices is developed within the context of social interaction. The ability of individuals to act rationally and on their own is affected by how well they are anchored within a sound community and sustained by a moral commitment to their social existence (Etzioni, 1988). In this framework, the making of individual decisions within the context set by various collectivities is the very essence of being. The self is, in part, constituted by the end, thereby providing the link between the social matrix and the individual. The major source of conflict for the individual is the choice between the maximisation of self-interested preferences and the commitment to discharge one's duties and responsibilities in the context of socially determined norms. Properly socialised individuals are able to balance shared goals and self-interest when making decisions.

The focus of communitarianism is on social responsibility and moral obligation. While competitive markets co-ordinate self-interested profit seeking activities, they do not necessarily create social solidarity. More emphasis on responsibilities and less on rights may be necessary if civil society is to be protected and nourished. The danger is that the tyranny of social forces may end up destroying or constraining individual choice. Communitarian philosophy contains the potential for repressive politics and the prospect of overly socialised individuals with an excessive sense of community. Taylor (1979), for instance, treats collective values and practices as 'authoritative horizons' which completely determine individual choice. However, Etzioni (1988) insists that although individuals act in a social context, this context is not necessarily or wholly imposed. Individuals are shaped by but also shape their communities, and neither dominates the other. In Etzioni's words, 'the individual and the community make each other and require each other' (1988: 9).

Community is important in influencing the decision of people to care for their elderly kin in their own homes. Community in this context refers to the relationships and interactions among individuals. Individuals act within a social matrix comprising human interaction, language, custom, tradition and narrative (McIntyre, 1984). As a result of the fusion of social forces, individuals are constrained, to some extent at least, in what they may or may not do. For instance, reputation may be an important influence on the decision to care or

not to care. Decision-making in this area is therefore complex and cannot be modelled without recourse to philosophical concepts of community. McKenna and Zannoni (1993) discuss the concept of 'situated freedom', under which individuals make choices within the constraints established by the prevailing social matrix. Individual choices are influenced by the past, by what is considered ethical and moral in the present, and by what the rest of the community is likely to think about the decision in the context of social mores and values. People also respond to both exogenous and endogenous stimuli when forming preferences (Aron, 1994). This, in turn, means that higher order preferences can be promoted at the expense of lower order preferences if agreement can be reached on what those higher order preferences should be. Determining what constitutes a good policy requires deciding which preferences to promote or deciding on procedural grounds that certain kinds of institutions provide a suitable framework within which desirable preferences will develop (Hausman and McPherson, 1993a).

It is not surprising, therefore, to find differences across countries with respect to the role expected of families in the care of elderly people. In Southern European countries, the family is expected to provide the bulk of support for ageing and disabled parents. It is part of the moral and ethical duty of adult children to look after their parents. Community care services and support systems for carers are, therefore, only poorly developed in countries like Greece and Portugal. An emphasis on family duty is not confined to Southern European countries. In Germany, family carers are seen as simply performing the 'normal duty of descendants' (Dieck, 1991). The onus of responsibility is on family members to provide the requisite support. Consequently, the provision of home-help services in Germany is relatively underdeveloped. Any acknowledgement of the existence of family carers through the provision of support or monetary compensation might be seen as an erosion of a fundamental principle of welfare based on family responsibility (Jamieson, 1991).

Danish society does not expect families to do very much caring for their old and vulnerable kin. Instead, the state is expected to provide the necessary support to enable dependent old people to live their lives as they see fit. In Denmark, old people, by and large, choose to live independently. The absence of family care has, however, not led to any general neglect of old people by their families. The results of the recent Eurobarometer survey confirm a high degree of contentment among old people living in Denmark (European Commission, 1993). Neither has the absence of a 'family ethos' undermined the provision of community care facilities for old people and their families. Indeed, Denmark is the only country in the European Union in which political opinion has managed to overcome the fear that a major opening of community care services to family carers might involve a withdrawal from responsibility on the part of the family (Jani-Le-Bris, 1993). Family caring for old people in Denmark might be less

than in other countries but caring about old people remains strong.

### 3.3 Contractarianism

Up to now, we have been concerned with theories of individual behaviour within a consequentialist framework, while acknowledging the potential dynamic influences of outside forces on the behaviour of individuals. Utilitarianism assumes that the only consequences that matter are the satisfaction of individual preference orderings. The communitarian position is that the making of individual decisions within the context set by various collectivities is the very essence of our being. In contrast, contractarianism refers to a method of devising principles or rules for behaviour rather than any particular choice of same. Barry (1989) distinguishes two types of contractarianism. The first identifies rationality with self-interest and views agreement as the outcome of bargaining leading to a view of justice as a system of mutual advantage. The second identifies rationality with the autonomous pursuit of ends and views agreement as the outcome of a shared pursuit of common principles and views justice as impartiality. We shall deal only with the second type.

Rawls argued that rational individuals behind a veil of ignorance would choose principles of justice that deny that the loss of freedom for some is made right by the greater utility shared by others (Rawls, 1972: 22-23). In Rawls' theory, justice is prior to any particular notion of the good so that conceptions of the good which infringe on a person's liberty are ruled out absolutely.

Instead Rawls argues that individuals would agree on the first principle of justice which states that

... each person has an equal right to the most extensive scheme of equal basic liberties compatible with a similar scheme of liberties for all.

The second principle concerns the kind of claims which it is appropriate to make when questions of justice arise and states that

Social and economic inequalities are to satisfy two conditions: they must be (a) to the greatest benefit of the least advantaged member of society; and (b) attached to offices and positions open to all under conditions of fair equality of opportunity.

(Rawls, 1982: 161-2)

These principles refer to primary goods, goods which normally have a use whatever a person's rational plan of life (Rawls, 1972: 62). They include basic liberties such as freedom of thought and association, personal attributes such as self-respect, as well as more tangible items such as income and wealth. Because the first principle has priority over the second, and part (b) of the second over part (a), inequalities in income are permitted.

Rawls' theory has been criticised by Sen who argues that since there can be significant variations in the ability of different persons to convert resources into freedoms or achievements, equalising access to primary goods may not go far enough in equalising the substantive freedoms enjoyed by different persons (Sen, 1993: 33). Economists have also questioned the plausibility of Rawls' claim that individuals would choose the maximin rule behind the veil of ignorance. For instance, public finance models of the maximin criterion imply income tax rates much higher than those found in Western countries. The contractarian approach may also be more applicable for some societies more than others. Countries like the United States, that were founded following a constitutional revolution, may find theories based on contractarian arguments more plausible than countries, such as Ireland, whose founding revolution was nationalist.

What are the implications of the Rawlsian contractarian approach for the analysis of care provision within families? The concept of primary goods is particularly important in developing our understanding of the role and treatment of the carers of old people. Self-respect is viewed by Rawls as "perhaps the most important primary good" something "that any rational person is presumed to want." The two most important aspects of self-respect are first a person's sense of value that his or her conception of the good is worth pursuing and second their sense of self-belief, defined as the confidence to pursue life-plans without persistent feelings of self-doubt and failure. It is only with a strong sense of self-worth allied to self-confidence that individuals can acquire a sense that what they do in everyday life is worthwhile and appreciated by others.

Self-respect depends, to a large extent, on the regard others hold for us. We need other people to affirm our worth, that our life-plan has a value and a meaning. In modern societies, many of us gain an important element of self-respect in the work-place and through the education process. The argument is not that self-respect is impossible outside of paid employment and education but that much of our lives is oriented towards and interpreted by work and knowledge. The public assessment of individual success and failure has become inextricably linked to participation and performance in these two areas. Individuals who are absent from these two areas of life will find it more difficult to develop or



sustain self-respect. There is a good deal of evidence that carers often have low levels of self-esteem resulting from isolation and the undervaluation of caring (Jahoda, 1982; Briggs and Oliver, 1985; Blackwell et al., 1992).

Neoclassical economists such as Becker (1993) assume that carers have socio-biologically determined nurturing preferences which compensate for the absence of market returns associated with work of this type. But, if caring actually undermines self-worth for some people, then it is difficult to accept this view as, in any sense, representative. Institutionalist explanations for the undervaluation of carers work highlight the social construction of the caring role and may yield more fruitful insights than conventional neoclassical models. Feminist writers see caring as a socially constructed role that penalizes women especially. Women may be forced to choose caring because they have been denied opportunities to pursue their own self-interest in the market-place (Tronto, 1987). The fact that caring has been mainly performed by women may also explain why relatively little attention has been paid to it by neoclassical economists (Ferber and Nelson, 1993: 2).

Rawls' emphasis on non-pecuniary primary goods forces us to think about wants and needs that go beyond revealed preferences. The establishment of structures to equalise self-respect is a difficult task. Self-respect is so personal, so individual, that it goes to the very core of being human. Nevertheless, the equalisation process can be approached more indirectly. As we have seen above, there is a special relationship between paid work and self-respect in modern capitalist economies. Recognising this relationship implies that carers may have to be paid as the first step towards addressing the comparable worth problem in this area. The vast majority of carers interviewed by Blackwell et al., (1992) expressed a desire for direct payment for caring. Current payment schemes for carers in Ireland are restrictive and derisory in comparison to the efforts expected of carers. In a Rawlsian model, individuals would address the comparable worth problem directly, given the equal likelihood of each having to care for dependent relatives.

The Rawlsian device of the 'original position' could also be used to make more general judgements about resource allocation and health care processes for old people and their carers. From behind a 'veil of ignorance', members of society would agree a set of rules for resource allocation that would be most likely to achieve a fair distribution of health benefits for old people and their carers. Priority setting for care of the elderly behind a veil of ignorance is subject to the same type of criticisms which have been levelled at Rawls's more general *Theory of Justice* (Nozick, 1974; Mueller, 1989; Sen 1993), but at least it provides a way of dealing with interpersonal judgements of life, suffering and death, by allowing a certain detachment from the allocation and distributional process. Currently, all the evidence suggests that support from statutory services for

old people and their carers is inadequate (O'Shea, 1993). This is particularly unfortunate in the case of carers, since we know that the latter can often be kept happy in their work for quite modest amounts of Exchequer spending on statutory support services (Wright, 1987).

### 3.4 Opportunity Choice Sets

This encompasses a range of theories which argue that the focal point of public policy should be the freedom and opportunity that individuals have. According to Sen (1992) "the opportunity aspect of freedom is concerned with our actual capability to achieve. It relates to the real opportunities we have of achieving things that we can and do value." What are these things that we wish to achieve? One is surely happiness but Sen argues that focusing on happiness is much too narrow to capture the diversity in what people want to be and do. Sen argues that the correct dimension for evaluating achievement is a person's "functionings." Functionings represent the various things that a person manages to do, or be, in leading a life. Some are very elementary and universally desired, such as being in good health or being adequately nourished. Others may be more complex, such as achieving self-respect, or taking part in the life of a community.

A person's position in a social arrangement depends on the person's freedom to achieve as well as her actual achievement (Sen, 1987). The capability of a person reflects the alternative combinations of functionings that a person can achieve and from which he or she can choose one vector. It depends not only on the resources one has, but also on an individual's personal characteristics. The achievement of capabilities is dependent to a large extent on command over primary goods but capabilities in turn will influence the extent to which the utilities implicit in primary goods can be realised. As Sen (1987) says "the various alternative measures will not be independent of each other."

There are considerable differences across people in their ability to achieve or obtain what they want in life. Equalising resources is necessary to overcome these differences, but it is clearly not sufficient. The capabilities of a person to achieve must also be considered. Capabilities in this case refers to those characteristics of individuals beyond their immediate control. Failures that result from factors which are under the control of individuals should not be compensated against. At least there is no moral imperative which leads one to the view that imbalances in capabilities which result from poor endogenous decision-making should be of interest to society.

Sen's approach contains an element of the contractarian emphasis on autonomy

as well as the utilitarian concern with a particular conception of well-being. There are close links between Sen's approach and those of Julian Le Grand and G. A. Cohen. Le Grand (1991) argues that a distribution is equitable if it is the outcome of informed individuals choosing over equal choice sets. It is barriers beyond individual control that are a source of inequity in society. These barriers act as constraints on individuals acquiring the same level of capabilities as others; what people do with capabilities once they have them should not be of concern to society. In other words, individuals should not be compensated for poor individual decision-making. Similarly Cohen (1993) has argued that public policy should be aimed at securing equality of access to advantage. Advantage is similar to Sen's functionings in that it is a heterogeneous collection of desirable states of the person, reducible, neither to his resources bundle, nor to his welfare level. The equality aspect is similar to Le Grand in that Cohen thinks differential advantage is unjust, save where it reflects differences in genuine choice on the part of relevant agents. Arneson (1990) argues that society is not obliged to intervene in the distributional process if an individual is responsible for the special need he or she has acquired. It is only if the acquisition and retention of the need is beyond the control of the individual that society must intervene, regardless of the nature of the need.

Carers may not face the same choice sets as non-carers when it comes to making decisions on employment, education and leisure. Evidence suggests that carers give-up many things in order to care (Blackwell et al., 1992). The capabilities argument suggests that it would be inequitable if carers were denied access to employment, education or social care as a result of factors beyond their control. Whether the position of carers justifies a policy response of positive discrimination in their favour depends upon whether one believes that the decision to care arises from factors or situations outside of their control. From previous analysis, it is clear that some carers care because they want to, others because they have to. Separating the two is complex and especially difficult if public policy for carers rested on observed differences in the motivation for caring. Moral hazard problems might arise if support for carers depended on whether carers made a voluntary or involuntary decision to supply care.

It may be more appropriate to apply the logic of Sen's capabilities argument directly to old people and think about inequality in terms of the recipient of care rather than the provider of care. The implication of Sen's approach is that it is inequitable if some old people are unable to participate in economic and social life because of disability factors beyond their control. The equalisation of choice sets for old people may require public intervention in the form of additional statutory resources in the area of community care. Positive discrimination for old people might also extend to public support for carers in order to allow the latter to continue caring. Payment for carers and relief schemes providing respite care would be important elements of this support, given what we know about

the needs of carers (Blackwell et al. 1992). In some cases, the independence of old people might best be served by a more complex care production function that placed less emphasis on informal carer support. This would arise in cases where carers and old people did not get on, or in situations where family carers, through excessive intervention in the life of the care recipient, actually increased overall dependency. Sometimes, too much care can undermine the independence of old people (Millar, 1984).

One of the problems that these egalitarian approaches face is to explain whether such theories would be widely accepted by a society. Although caution must be exercised about deducing moral values from empirical observations, the weight of evidence from party voting, experiments and social indicators suggests that Le Grand and Cohen's views on fairness may not be universally shared (Hammond, 1991). The implications for other important values like freedom and efficiency may be simply too severe. The resource implications of equalising choice sets are also likely to act as a constraint on policy-makers. Equality of choice sets usually requires inequality of opportunity in the sense of positive discrimination. This costs money, much more money than governments have historically been willing to pay out. Nevertheless, as Le Grand (1991) points out "a society with less inequality in choice sets will be one with less inequity." At the very least, thinking about the problem in this way is a much more satisfactory way of dealing with values than the current implicit approach of always relegating equity to a secondary position behind technical concerns about efficiency.

## 4 Conclusion

This paper has explored the connection between theories of welfare economics and our understanding of informal care provision within families for old people. Difficult decisions will soon have to be made in many countries concerning both the financing and provision of long-term care services for old people. The number of old people is growing, while the cost of care is a major burden on the exchequer. Efficiency is undoubtedly an important aspect of future arrangements, but to focus only on efficiency is to ignore the moral and ethical dimensions of caring for old people. The nature of informal caring relationships rests on a delicate balance between altruism (based on affection), reciprocity (arising from implicit inter-generational contracts) and moral responsibility (expressed as duty). In order to capture the essence of human and familial relationships we require careful consideration of the philosophical frameworks used to evaluate options in this area.

It is difficult to make sense of caring relationships within the framework of

any single approach to welfare economics. Utilitarianism is a useful way to begin the evaluation process but it cannot fully capture the complexity of caring relationships, which require a far deeper understanding of human relationships than revealed preference analysis allows. The main conclusion of this paper is that economists and others working in this area must be prepared to explore other theories of welfare economics if progress is to be made on understanding care relationships. These various theories are not independent of the policy process that they hope to inform. The reality of the caring process, particularly the motivations and commitments involved in looking after a very dependent person, should influence the choice of welfare theory in the first instance. It is only when we recognise the relationship between ethics, morality and economics that we can begin to ask the appropriate questions.

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