Foreword

The times are ripe for some serious grappling with issues of distributional equity. Harsh austerity measures are being imposed on ordinary people in resource-poor countries on the periphery of Europe at the behest of the overpaid international bankers who caused the global financial crisis in the first place. In the US, the Tea Party movement, fragmented as it is, includes billionaires who fund disaffected ordinary people to demand public sector frugality that would surely make their own lots in life more difficult. All of this is happening at a time when the distribution of income and wealth in the more prosperous countries is wider than it has been for a century.

A growing sense of global limits under pressure is colliding with the customary optimism that future generations will have things better than their predecessors, and ordinary citizens are responding with everything from green politics to ‘shoot the messenger’ climate scepticism.

So, what better time for a book demonstrating that familiar methods of non-market valuation can be adapted readily for learning about the preferences of ordinary people regarding intergenerational distribution? Helen Scarborough and Jeff Bennett have produced a work that is genuinely path-breaking. As is often the case with path-breaking work, the idea is simple enough: if people can respond to choice experiments in ways that tell us a lot about what they value and how much they value it, why would they not be able to respond to choice experiments where the options offered have different distributional consequences? Such simple ideas evade implementation not because they are so hard to think up, but because it is so easy to dismiss them as unthinkable. All credit goes to Scarborough and Bennett for busting through this particular unthinkability barrier.

The authors demonstrate the use of choice modelling (CM) in the particular context of intergenerational distribution, covering all aspects from survey design to the analysis of results carefully and in considerable detail. This thorough treatment is valuable in its own right, and will serve as a model for future applications of CM, many of them on quite different topics.

Scarborough and Bennett bite off a lot more than choice experiments with a distributional dimension. They blast through the idea of distributional preferences to grapple with equity, a much more complicated concept. Their experiments address intergenerational distribution, which brings its own special problems in addition to all the problems raised by distribution and equity

per se. They frame their empirical results first in terms of intergenerational welfare weights for use in cost–benefit analysis, and later as downward adjustment factors for social discount rates. Considering the complications thus introduced, and the massive literature from economics and beyond addressing most of these topics, it must surely have occurred to Scarborough and Bennett that they were tilting at some windmills and flirting with some of the third rails in economics and moral philosophy.

Let me offer a few hints of the complexities their work raises.

What constitutes *equity* is by no means obvious. Possibilities include that people receive what they deserve, people have equal opportunity to pursue happiness, people have a secure safety-net ensuring that their basic needs can be met, and society values equality of outcome so highly that it measures social welfare as the welfare of the worst-off member.

The standard view of the *cost–benefit (CB) criterion* is that it identifies proposed projects and policies that would increase the size of the game. These projects and policies usually offer goods and services of various kinds, and it is a standard result in economics that it is cheaper (equally cheap at worst) to achieve a given utility gain by giving the beneficiary money than by giving cheese (unless, of course, the government already has stockpiled lots of cheese to remove ‘excess’ supply from the market). With that in mind, one needs to be deeply pessimistic about the state of society’s redistributive institutions, in order to propose a weighted-CB criterion that would systematically approve projects that reduce the size of the game in order to deliver benefits to favoured groups.

Intergenerational distribution issues get really complicated when there is overlap among the generations concerned. Understanding the implications of redistribution toward distant future generations is difficult enough, but the case of redistribution among overlapping generations that can and do make all manner of intergenerational accommodations ramps up the challenge dramatically. Governments seeking to help the very young usually settle for subsidizing their parents, and for good reasons. The middle-aged support retirement programmes and the elderly support favourable tax treatment of inheritances, when the opposite pattern of support is equally plausible, because there is a good deal of convergence between middle-aged and elderly interests in these cases. This makes it hard to interpret an experimental finding that, say, ordinary people favour redistribution toward the very young – are they telling us they want to help those not yet capable of providing for themselves, or that they want people who will be middle-aged 50 years from now to be better off than today’s 50-year-olds?

In recent years, there has been a spate of novel suggestions for re-jigging the *social discount rate* to promote intergenerational equity – clearly this is not a settled issue. To the extent that social discount rates include positive time preference – that is, assume a degree of myopia – it might be argued they

should be reduced systematically in response to intergenerational equity arguments. Even if that much is granted, questions remain open as to whether such equity issues are resolved by the preferences of ordinary people, revealed in an overlapping-generations context.

The value of the Scarborough–Bennett contribution does not hinge on whether it resolves, in a single brief book, all of these issues convincingly. It has earned its place on the bookshelf as a successful proof-of-concept exercise, demonstrating that ordinary citizens can grapple coherently with choices involving overt distributional elements. The list of potential applications of that insight seems very long. The value of knowing how people feel about distribution does not depend on resolution of the controversies that have bedevilled classical welfare economics since its beginning.

The impact of a book is the outcome of a complex interaction between the authors, the text, and the readers, which suggests that the research agenda potentially arising from this work is much richer than the authors have announced, and may well exceed their most optimistic anticipations. With publication, authors lose control as their ideas enter the public domain and grow and develop in ways they did not anticipate. Helen Scarborough and Jeff Bennett may be surprised by the magnitude and the nature of the impact this work eventually enjoys.

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