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Working Paper

The evolution of the capability approach or Sen's quest for an informational base

Discussion Papers, No. 6/2010

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Suggested Citation: Heinicke, Philipp (2010) : The evolution of the capability approach or Sen's quest for an informational base, Discussion Papers, No. 6/2010, Universität Witten/Herdecke, Fakultät für Wirtschaftswissenschaft, Witten

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discussion papers
Fakultät für Wirtschaftswissenschaft
Universität Witten/Herdecke

Neue Serie 2010 ff.
Nr. 6 / 2010

The Evolution of the Capability Approach or Sen's Quest for an Informational Base

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discussion papers
Fakultät für Wirtschaftswissenschaft
Universität Witten/Herdecke
www.uni-wh.de/wirtschaft/discussion-papers

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Für den Inhalt der Papiere sind die jeweiligen Autoren verantwortlich.

1 Introduction

John Maynard Keynes, the influential economist of the Twentieth Century, envisioned the day when society would focus on ends (well-being) rather than on means such as economic growth. In his *Essays in Persuasion* (Keynes, 1930, p. 365), he writes: "We shall once more value ends above means and prefer the good to the useful."

Similarly, the contemporary economist and philosopher Amartya Sen, who was awarded the Nobel Prize of Economics in 1998 for his significant contributions to welfare economics, has persistently argued for shifting attention from means to ends. According to Sen's justly celebrated Capability Approach (hereafter CA), which is the subject of this paper, social evaluation should be based on the life that people have reason to value, rather than measures that are only instrumental to human advantage.

His core argument has been that traditional theories of the social good fail to assess human well-being adequately because of their too narrow informational base. According to the definition of Sen (1990, p. 111), the informational base of any social evaluative exercise "identifies the information on which the judgment is directly dependent and – no less important – asserts that the truth or falsehood of any other type of information cannot directly influence the correctness of the judgment". Thus, the informational base entails both *informational inclusion*—considering the information that is regarded as important within the respective theoretical framework—and *informational exclusion*—disregarding any information which is not supposed to have any direct influence on the evaluative judgment (Sen, 1999, p. 56). For instance, utilitarianism exclusively relies on utility information, thus ignoring non-utility information such as the treatment of rights and liberties.

Sen contends that human advantage comprises many dimensions which cannot possibly be captured by one single variable. The security of rights and liberties must be taken into consideration as much as happiness, resources or other aspects one has reason to value. This pluralism imposes high requirements on any theoretical foundation. In fact, Sen dedicated much of his academic life to the pursuit of a sufficiently broad informational base which would provide an adequate evaluative space for the analysis of well-being (Sugden, 1993, p. 1947). Sen's critique of traditional approaches was both forceful and critical to helping him form his own theoretical framework.

Starting his career as a social choice theorist, Sen quickly showed interest in moving beyond the nihilistic foundations of standard welfare economics. He was particularly concerned with questions of economic inequality and the treatment of rights. In his lecture, entitled "Equality of What?" and delivered at the Tanner Lectures on Human Values at Stanford University in May 1979 (1980), he introduced the primordial concept of "basic capability equality" as an alternative approach to social evaluation. He claimed that human advantage should not be judged in terms of utility, rights or resources but in terms of basic capabilities—the ability to "do certain basic things". In subsequent years Sen advanced this framework in a number of contexts, especially in his 1984 Dewey Lectures (1985) and in his monograph, *Commodities and Capabilities* (2010)[1]. This led to the establishment of the CA.

[1] Sen's work, *Commodities and Capabilities*, is based on his Hennipman Lecture delivered at the University of Amsterdam in April 1982. The monograph was first published in North-Holland, 1985. Here reference is, however, made to the 14th Oxford India edition published in 2010.

The CA represents "a conception of an individual's good which does not automatically assert that whatever the individual chooses is good for him [in terms of material well-being]" (Sugden, 1993, p. 1951). The assumption that agents also pursue goals other than well-being is captured by the two interdependent dimensions of well-being and agency freedom, which are central to the CA. We argue that though this distinction had not been clearly articulated until the Dewey Lectures (1985), Sen's concern with both aspects can be traced back to his earlier writings on the tension between Paretian economics and libertarianism.

Our primary objective is to describe this evolutionary process in a non-technical way, starting with his ingenious work, *Collective Choice and Social Welfare* (1970) through to *Development as Freedom* (1999a). The paper is structured as follows: Section two is devoted to Sen's concern with developing an alternative theory of the social good. The need for the advancement of a new theoretical framework is conditional on concluding the limited usefulness of conventional approaches. Therefore we will outline Sen's appraisal of classical utilitarianism established by Bentham (1789), subsequently emerging Paretianism, libertarianism as well as Rawls' conception of primary social goods. Next, we will present Sen's alternative foundation and highlight its relative advantages. The process of investigating traditional conceptions of the social good and making a first tentative approach to the establishment of an alternative theoretical framework roughly spans the period from 1970 until 1980.[2] Section three constitutes the core of our analysis. Here we describe the development of

[2] In my analysis I shall refer to Sen's following works: *Collective Choice and Social Welfare* (1970); "Personal Utilities and Public Judgements: or What's Wrong with Welfare Economics?" (1979a); "Utilitarianism and Welfarism" (1979b); "Equality of What?" (1980) and *On Economic Inequality* (1997) (This work was first published in 1973. Here, however, reference is made to the 1997 expanded edition).

the CA in reference to selected works of Amartya Sen.[3] We shall draw special attention to the following questions: What are the key characteristics of this innovative approach? How does it differ from traditional approaches? What implications does it entail? Were there any adjustments in the course of time? In the fourth section we turn to the major flaw of the CA: its empirical application. We shall, however, argue that past empirical shortcomings should not cause us to underestimate the significance of Sen's work and its impact on the development paradigm. Finally, section five provides concluding remarks.

2 Struggling for an Informational Base

In this section we shall describe Sen's long-term quest for an informational base on which he could build a more constructive welfare economics.

2.1 Moving beyond Utilitarianism

The founder of classical utilitarianism, Jeremy Bentham, explains in his famous work, *An Introduction to the Principles of Morals and Legislation* (1789 (1982, pp. 11-16)), that since "nature has placed mankind under the governance of two sovereign masters, pain and pleasure," it is the principle of utility "which approves or disapproves of every action whatsoever, according to the tendency which it appears to have to augment or diminish the happiness of the party whose interest is in question." Utility is gained through the possession of objects which tend to "produce benefit,

[3] I shall make reference to: "Equality of What?" (1980); "Rights and Agency" (1982); "Goods and People" (1984a); "Rights and Capabilities" (1984b); "Well-being, Agency and Freedom: The Dewey Lectures 1984" (1985); "The Standard of Living" (1987a); *Inequality Reexamined* (1992); "Capability and Well-being" (1993); *Development as Freedom* (1999a) and *Commodities and Capabilities* (2010).

advantage, pleasure, good and happiness or prevent the happening of mischief, pain, evil or unhappiness."[4]

From this notion two implications can be derived. First, it is important to differentiate between the means to obtain utility and utility itself. Having a high income, for instance, may be conducive to happiness or pleasure (and thus to utility), but it is not the object of value itself (Sen, 1987a, pp. 4-5). Second, all choices must be judged by their expected results. The results again are judged by the utilities they generate. The process through which certain outcomes are accomplished is not taken into consideration as utilitarianism, a teleological theory, defines the good (utilities) independently from the right, and then the right is defined as what maximizes the good (Rawls, 1971, p. 24). Consequentialism (all choices must be judged by their outcomes) and welfarism (any outcome is to be judged in terms of utility) represent two of three requirements of classical utilitarian evaluation.

In his work, Bentham generally distinguishes between two entities: The individual and the community. The community comprises individuals and the interest of the community is thus best served when the sum total of the interests of the individuals is maximized. Sum-ranking, the aggregation of individual utilities, makes up for the third component of utilitarian evaluation.

From this theoretical approach, the traditional welfare economics discipline—a branch of microeconomic theory advocated by Marshall, Sidgwick, Edgeworth and Pigou—emerged.

[4] In his writings Sen assumes that utility captures happiness, pleasure or desire-fulfillment. In modern welfare economics, utility is also defined as the numerical representation of one's choice.

The practical implications of this approach can be best exemplified when applied to the distribution of a sum of money among various persons. Each person's utility is a positive, concave function of his respective share of the sum. The function has a concave shape because every additional quantity of money will yield smaller and smaller increases in utility. The individuals' utilities are cardinal—that is, scale-measurable by observation or judgment. The utilitarian objective—maximization of total utility—demands equalization of marginal utilities. This is considered the most efficient state of affairs, in the sense that no possible allocation would increase the sum total of the individuals' utilities. That is, total utility cannot be raised by transferring money from one person to another. Equality in the utilitarian sense means that everyone's interest is valued equally. This egalitarian impression is deceptive. The notion that an equal distribution of some good will yield the greatest sum total of utilities applies only if every individual has the same utility function (and thus identical marginal utilities), that is, everyone shows the same tastes and the same capacity for satisfaction (Little, 2002, p. 11).

However, it seems more reasonable to assume that human beings genuinely differ in their preferences and their capacity to reach content. While some may settle with little, others need more to attain the same level of satisfaction.[5] In this context, Sen (1997) considers two persons—one crippled and the other, able-bodied. The handicapped person is relatively inefficient in converting income into utility. Sum-ranking would therefore demand redistribution of income from the handicapped person to the

[5] This argument relates to Rawls' "expensive taste" criticism, set forth in Rawls (1971).

physically fit person.[6] Thus, when the assumption that everyone has an identical capacity of satisfaction is dropped, the utilitarian approach becomes insensitive to the distribution of individual utilities as "even the minutest gain in total utility sum would be taken to outweigh distributional inequalities of the most blatant kind" (Sen, 1980, p. 202). One may be tempted to argue that replacing sum-ranking by another constraint will resolve distributional issues. His Weak Equity Axiom (Sen, 1997, pp. 18-22) is, in this context, to be seen as an attempt to do just that. It balances inequality by allowing for distributions in favor of the indigent person with a marginal utility disadvantage. However, the scope of the approach seems to be limited because its mild conditions do not specify how much more income, goods, etc., should be given to the relatively worse-off to increase his or her welfare. Even the smallest distributional gain for the disadvantaged would thus satisfy the axiom.[7]

As we move on, we will observe that it is not the constraint of sum-ranking alone that makes utility-based teleological approaches unsuited to the analysis of the social good.

2.2 Moving beyond Welfarism

In order to maximize total utility, individual utilities have to be scale-measureable and interpersonally comparable. This condition, upon which the consistency of utilitarianism in the classical sense rests, has been called into question by Robbins (1935). He argues that "there is no means of testing the magnitude of *A's* satisfaction as compared with *B's*" and thus, "no way of comparing the satisfaction of different people" (ibid., pp. 139-

[6] Sen (1980, pp. 203-204) explains that this applies to people with a marginal utility disadvantage in general. In fact, a crippled person does not necessarily have to suffer from a marginal utility disadvantage.

[7] For further discussion of the Weak Equity Axiom, see Sen (1997, pp. 18-22).

140). Garis (2007, p. 15) says that "such things like utility are only partly revealed to the person himself; how much more hidden from others must they be." Robbins' seminal work had a powerful impact on the field of economic science. His criticism was conducive to the development of the New Welfare Economics discipline, which is based on the view that only ordinal preferences and not cardinality may be applicable to satisfaction, thus ruling out sum-ranking. In his *Ethics and Economics* (1987b, p. 38), Sen concludes:

> "If interpersonal comparisons of utility are dropped, but nevertheless utility is regarded as the only thing of intrinsic value, then Pareto optimality would be the natural surviving criterion, since it carries the utilitarian logic as far forward as possible without actually making any interpersonal comparisons of utility."[8]

The concept of Pareto optimality describes a state in which no individual can be made better off without adversely affecting someone else. The Pareto principle avoids any distributional issues because a situation in which one person owns everything while the other one is left with nothing would still be considered Pareto-efficient—despite its apparent disparity—since redistribution from the rich to the poor would make the rich person worse off. Admittedly, one Pareto-optimum may be intuitively regarded better or more just than another, but the framework itself does not provide any foundation on which such judgment can be made. We may suppose that in the case of a vast income disparity between two persons, the rich's marginal utility is relatively low (thus making shifts of goods to the poor worthwhile), but the very fact that it is only suspected and not grounded on numerical information disallows for such judgments (Sen, 1979a, p. 336).

[8] For further discussion, see Sen (1970, Theorem 5.3).

In this context, Sen rightly points out that "a society or an economy can be Pareto-optimal and still be perfectly disgusting" (Sen, 1970, p.22).

Kenneth J. Arrow pioneer of social choice theory, which is typically concerned with the relation between the objectives of social policy and the preferences and aspirations of the members of society, adopted the foundations of New Welfare Economics, to wit ordinalism and incomparable utilities. In his seminal work *Social Choice and Individual Values* (1951), Arrow showed that a set of mild-looking and ethically essential conditions rules out the possibility of arriving at a social welfare function—an ordering of the ordinally described personal utility levels attained by each of the individual members of the society in question.[9]

Sen was deeply impressed by the implications of Arrow's famous "Impossibility Theorem" and motivated by a desire to overcome this pessimistic picture by going beyond the limited informational base of his approach (1999b). In *Collective Choice and Social Welfare* (1970), Sen presents a survey of social choice theory and shows that the impossibility results can be resolved if the narrow informational constraint imposed by incomparable utility measures is abandoned. Sen (1970, Theorem 8*2) shows, for example, that cardinalism does little on its own if it is not accompanied by interpersonal comparability. In his appraisal of Sen's

[9] Sen (1970, pp. 37-38) informally presents the four conditions Arrow (1951) imposes on his theorem. First, the social welfare function must work for every logically possible configuration of individual preference orderings. Second, the function must satisfy the weak Pareto principle, that is, if everyone prefers x to y, then so does society. Third, the theorem requires that social choice over a set of social states is restricted to the orderings of the individuals only over those states, thus ignoring irrelevant alternatives. Fourth, whenever an individual prefers x to y, society does not have to conform to this. He proves that there is no social welfare function that can simultaneously satisfy all these four conditions.

contributions to the study of social welfare, Arrow (1999, p. 166) points out that "for any degree of interpersonal comparability, the invariance requirements on the social welfare function are correspondingly lightened, and the possibility of finding an acceptable social choice procedure increased".

Remarkably, Sen (1970) has initiated the discussion of the impossibility of a Paretian liberal. He has objected the idea that utility measures are the only determinants of the social choice exercise. From an ethical perspective—so his claim—people should also have the possibility to make private choices independent of the generated utilities. In his Theorems 6.1; 6.2 and 6.3, he proves that even the weak Pareto-principle may conflict with a minimum demand of personal liberties and rights. But "both the Pareto judgment and the idea that each individual has some private domain of choice, even if others would make different choices over that domain, are hard to deny" (Arrow, 1999, p. 165).

The interesting point here is that the impossibility arises from the underlying motivation of the utility measures. In the mentioned theorems Sen shows that the negative results could be turned into positive ones if the persons involved did not get utility out of the discomfiture and sufferings of others. But utility is utility—independent of its nature. The underlying motivation as non-utility information is therefore not permitted to make a difference in the assessment of social states of affairs. As it turns out, the main issue is really the informational constraint imposed by welfarism, which rules out any information other than utility.

In later writings Sen moves on to demonstrate that the inadequacy of welfarism is not limited to ordinalism but is sustained even when the informational base is broadened to the inclusion of cardinal utility measures. In his "Personal Utilities and Public Judgements: or What's

Wrong with Welfare Economics?" (1979a, pp. 339-341), he considers two pairs (x, y) and (a, b) of circumstances which are identical in utility levels and only differ in non-utility information. The informational constraint of welfarism would require to rank x vis-à-vis y in the same way as a vis-à-vis b, irrespective of non-utility information. Next, Sen considers two persons r (rich) and p (poor). In State x there is no redistributive taxation and r's utility amounts to 10 utils while p is left with 4. In State y some money is transferred from the rich to the poor, thus raising the utility of the poor to 7 and lowering utility of the rich to 8. Note that utilitarianism would rank y before x because only in State y will utility be maximized. The second pair (a, b) is identical in utility information. The only difference between (x, y) and (a, b) rests in non-utility descriptions. While p's higher utility in y results from the money transfer, his utility increase in b stems from the pleasure he gains from torturing r (which obviously lowers r's utility). Since welfarism rules out any information other than utility, b and y are socially indifferent. "[A] tortured body … is [however] as much a part of the state affairs as the utility and disutility occurring in that state" (Sen, 1979b, p. 488) and should therefore be taken into account.

This example dramatically illustrates that not even the motivation underlying utility measures is taken into consideration because of its non-utility informational value (Sen, 1979a, 1979b). Whether utilities are based on personal joys or on the sufferings of others does not matter. Any non-utility information, not relevant for instrumental reasons, simply must not have any influence on the assessment of outcomes. Hence, Sen rightly points out that the inadequacy of welfarism for the judgment of social states of affairs becomes evident "by looking at correspondences between judgments in different cases that are identical on the utility space but not in terms of particular non-utility information" (1979b, p. 479).

2.3 Moving beyond Libertarianism

Sen's work on the Paretian liberal motivated Nozick (1974) to develop a philosophical approach which abandons the idea of assessing social welfare and emphasizes the importance of rights. In Nozick's deontology, liberties are treated as constraints on action. These constraints simply must not be violated even if violation would make superior outcomes achievable. Thus, liberties have intrinsic rather than instrumental value—that is, judgment of actions is made independently of outcomes. If social choice is possible within these constraints, then it can be made according to the Pareto-principle. Later Sen (1982, pp. 5-6) notes that utilitarianism and the deontological constraint-based approach share "the denial that realization and failure of rights should enter into the evaluation of states of affairs themselves and could be used for consequential analysis of actions". It is this denial to which Sen is opposed. For example, constraint-based libertarianism would rule out the possibility of C stealing B's car if the murder of A by B could be prevented because stealing B's car is as much a violation of B's right than taking A's life. Sen, however, argues that a more adequate approach would consider liberties and rights in the evaluation of outcomes first—that is, B's liberty deprivation (the theft of his car) would be compared with the violation of A's liberty (his murder). If A's liberty is prioritized to B's liberty, then C's action becomes justified. Taking note of liberties and rights in the assessment of outcomes would thus allow for the consideration of what Sen calls "third part moralities" (Sen, 1979a, p. 346)—the possibility of weighing the relative "badness" of one action against the "badness" of the action which this violation helped to prevent.

Hence, his contention is that an adequate informational base of a social good theory would need to retain consequentialism, the merit of teleological approaches in general and of classical utilitarianism and New

Welfare Economics in particular. However, it must not impose welfarism, which would allow for the inclusion of non-utility information such as liberties and rights. This realization constitutes a crucial accomplishment in Sen's struggle for an informational base. Subsequent developments, such as the "goal rights system" introduced in "Rights and Agency" (1982), and the distinction between well-being and agency aspects (1985) ultimately originate from it.

His particular concern with the limitation of prevalent Paretian economics on the one hand, and the inadequacy of libertarian consideration on the other, is evident in most of writings published in the 1970s. He realized that in order to set forth an adequate theory of the social good, the nihilistic or narrow informational base of these approaches would need to be extended to concepts such as justice, equality and freedom emphasized by traditional philosophical and economic approaches (Klamer, 1989, pp. 139-140). In his quest he sought inspiration from Rawls' conception of primary social goods, discussed below.

2.4 Moving beyond Rawlsian Justice

Rawls' liberal conception of primary social goods described in his groundbreaking book, *A Theory of Justice* (1971), suggests shifting focus from utility information to opportunities and freedoms. In "Equality of What?" (1980) Sen scrutinizes this concept for the first time.

Rawls' theory—founded on the two principles of justice which are arranged in a serial order—demands equality in terms of primary social goods. These goods comprise "things that every rational man is presumed to want," such as rights, liberties, opportunities, income, wealth, power, authority and self-respect (1971, p. 62).

According to Rawls' first principle, basic liberties are prioritized to other primary social goods because "each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others" (ibid., p. 60). These liberties include political liberty, freedom of speech and assembly, liberty of conscience and freedom of thought, property rights and freedom from arbitrariness. Similar to Nozick's libertarianism, these liberties must simply not be violated in favor of social or economic advantages. The reasonableness of this approach is disputable. As important as basic liberties such as freedom of speech and thought may be, Sen rightly raises the question of why the status of intense economic needs, which in some countries can be matters of life and death, should be lower than that of basic liberties (1999a, p. 64). Securing basic liberties is by far not redundant—quite the opposite—but ignoring economic aspects of well-being, on the other hand, cannot be sufficiently justified. What is the point of being able to vote and expressing his opinion in public if scarce economic means cause a struggle for survival? Is the personal advantage of a person starving to death really increased when granted basic liberties?

The second principle, also called the difference principle, suggests that divergence from the initially equal distribution of the other primary social goods is only permissible if mutually beneficial in a way that the advantage of the worst-off person is maximized. This is opposed to utilitarian ideas, which only demand that the advantage of one party is not to the disadvantage of the other.[10]

[10] Note that the difference principle is, however, still compatible with the principle of Pareto-efficiency. In a situation in which the interest of the least-advantaged is maximized, it is indeed impossible to make any one better off without disadvantaging the worst-off one as his expectations are already maximized. For an explicit discussion, see Rawls (1971, p. 79).

Rawls sees the good in the "satisfaction of rational desires" (1971, p. 93). He goes on to argue that irrespective of what his rational desires may be, man requires primary social goods for the execution of his plans. Goods such as wealth and authority—so the argument—allow agents to pursue goals they could not accomplish otherwise. In this way, an increasing index of primary social goods ameliorates man's prospects or his advantage since then superior desires become attainable. When these desires are satisfied, the personal good will improve in consequence. As opposed to utilitarianism the Rawlsian approach does not judge these prospects by their expected utility gain; instead it is assumed that man, as a rational agent, should pursue his individual conception of the good as long as it is compatible with the principles of justice (ibid., p. 94). His focus on enabling people to pursue their rational desires by granting them an index of primary social goods demonstrates that Rawls saw social progress in fact in the expansion of positive freedom.[11] It is this very notion that inspired Sen to develop the CA.[12]

Sen is, however, at odds with Rawls' "agreement to compare men's situation solely by reference to things which it is assumed they all prefer more of" (Rawls, 1971, p. 95).[13] Rawls holds "primary social goods as the embodiment of advantage" (Sen, 1980, p. 216). But Sen argues that

[11] There two notions of freedom in philosophy. While negative freedom describes the immunity from interference of others, the positive version relates to a person's ability to act freely.

[12] In his autobiography found on the official website of the Nobel prize Sen states that his "work on social justice based on individual freedoms and capabilities was (…) motivated by an aspiration to learn from, but go beyond, John Rawls' elegant theory of justice, through a broader use of available information" (1999b).

[13] This quote illustrates that Rawls judges human advantage in terms of primary social goods.

primary social goods cannot be the object of value itself because the conversion of goods into what he calls "basic capabilities" varies with "health, longevity, climatic conditions, location, work conditions, temperament and even body size" (ibid., pp. 215-216). The term "basic capabilities" translates to "being able to do certain basic things,"[14] such as "the ability to meet one's nutritional requirements, the wherewithal to be clothed and sheltered, the power to participate in the social life of the community" (ibid., p. 218).[15] He contends that the conception of primary social goods seeks to refer to capabilities but ends up focusing on goods. Freedom is the overall goal, but the emphasis is on means. In *Inequality Reexamined*, one of his later works, Sen (1992, p. 38) gets to the heart of the issue:

> "If we are interested in the freedom of choice, then we have to look at the choices that the person does in fact have, and we must not assume that the same results would be obtained by looking at the resources that he or she commands."

Thus, Sen views his theoretical framework as "an extension of the Rawlsian approach" (Sen, 1980, p. 219), which shifts attention from goods to how these goods affect the life of human beings. The shift from focusing on goods to focusing on capabilities is to be seen as the starting point of the

[14] As Sen's subsequent works make clear the term "basic capabilities" is not confined to what a person is able to do but refers to what a person can be as well.

[15] In his "Goods and People", a paper presented at the International Economic Association in November 1983 (1984a) Sen defends his novel approach against the simultaneously evolving "basic needs" movement pioneered by Streeten (1981). Though the concept of basic capabilities and the basic needs approach share the focus on reaching a minimum level of capabilities such as shelter, basic education, and nourishment among others, the latter defines these needs in terms of commodity requirements only. For the full rationale, see Sen (1984a, pp. 513-515).

evolution of the CA and builds straightforwardly on the early attempts of the pioneers of national accounting, Lagrange and Petty, among others, to assess people's living conditions (Sen, 1987a).[16]

3 The Capability Approach

As outlined in the introduction, the CA comprises two dimensions: the well-being and the agency aspect. We shall consider the evolution of the well-being aspect first.

3.1 The Well-being Aspect of the Capability Approach

From a methodological point of view, it is fundamentally important to comprehend the change in strategy Sen engages in with the introduction of his primordial "basic capability equality" approach. His conclusion that traditional approaches to the analysis of social welfare leave issues such as distributional considerations and the violation of liberties and rights unresolved while libertarianism fails to be consequence-sensitive (Sen, 1970, 1979a, 1979b, 1980, 1997) caused Sen to turn to the evaluation of well-being from the standpoint of the individual (Sugden, 1993, p. 1951). The following describes how Sen conclusively advances his primordial "basic capability equality" in writings subsequent to "Equality of What?" (1980).

3.1.1 The Scope of the Capability Approach

In "Goods and People" (1984a), Sen explains that basic capabilities are only a subset of all capabilities—a much broader range which includes all

[16] Lagrange converted goods that had similar roles in consumption into equivalents of each other in terms of their characteristics. For example, he converted vegetal foods into units of wheat in terms of nourishment value.

precious doings and beings. Sen emphasizes at an early stage that the CA is not confined to the analysis of poverty only but "is applicable to judging advantage and deprivation in rich countries as well" (ibid., p. 514). Sen (2010, pp. 30-31) claims that more sophisticated capabilities such as "the ability to entertain friends, be close to people one would like to see, take part in the life of the community, etc., may vary a good deal even within rich countries". Sen frequently refers to "appearing in public without shame" because it highlights the theoretical connection to the works of Adam Smith, the founder of the economic discipline, and shows that absolute deprivation in terms of capabilities may take the form of relative deprivation in income.

3.1.2The Conversion Process

Next, Sen elucidates the conversion process from goods into capabilities. While Sen provides both an extensive formal and an easily comprehensible informal presentation of the conversion process in *Commodities and Capabilities* (2010, pp. 6-11), the description included in his "Rights and Capabilities" (1984b, pp. 315-317)[17] is not fully developed and entirely non-mathematical. With the introduction of the "conversion chain," Sen also makes some change in terminology. The achievement of a person formerly described by the term "capabilities" is now referred to as "functionings".[18] (For purposes of this paper, we shall use the term functionings.)

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[17] The paper draws on Sen's James Lecture at the New York Institute for Humanities in November 1982 and his Boutwood Lectures at Corpus Christi College, Cambridge in November 1983.

[18] It is important to note that some scholars working within the capability paradigm do not follow this terminology and refer to functionings as capabilities. Even Sen himself uses the terms interchangeably. Whenever I employ the term "capabilities" I refer to the

Commodities—Sen argues—entail characteristics. The possession of commodities thus gives the owner command over the respective characteristics. The properties of bread, for example, allow the owner to satisfy hunger, yield nutrition, be pleased or be able to provide a contribution to social gatherings. While the characteristics of bread are independent of its owner, the achieved functionings—that is, what people actually succeed in doing—are subject to interpersonal variation. Appeasing one's hunger through the consumption of bread, for instance, depends on gender, age, body size, metabolism and perhaps even climate. Similarly, bread can only provide a contribution to social conventions if one is member of a group or has acquaintances that he or she can meet with.

For another example, consider a bicycle. It features the characteristic of mobility. Whether the owner of the bike will indeed achieve mobility depends not only on whether the person is able-bodied or not, as suggested by Sen (2010, p. 6), but may also vary with the person's geographical location. If he or she lives in a sparsely populated area, then the distance between home and work or between home and a friend's house may be too far to travel by bike.

These two examples already indicate that there is a wide range of conversion factors, which affect the transformation of commodities into functionings.[19] Extrapolating from opulence—the possession of a bundle of

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plural form of the terms "capability" or "capability set" which describe the various combinations of functionings that a person can achieve. For further discussion of this issue, see also Robeyns (2005, p. 100).

[19] Sen (1999a, pp. 70-71) suggests that the relation between commodities and functionings is governed by five categories of conversion factors: personal heterogeneities, environmental diversities, variations in social climate, differences in relational perspectives, distribution within the family. Robeyns (2005, p. 99), on the

commodities—to functionings is thus a non-starter because it ignores interpersonally varying circumstances. Especially in poverty analysis, it is often argued that poverty can be seen more as an inadequacy of income than a lack of capabilities. In his paper "Capabilities and Well-being" (1993, pp. 40-41), a succinct summary of the CA, Sen admits that the income perspective is permissible as long as income represents the only means to the enhancement of capabilities and takes account of interpersonal variability. This is interesting insofar as it implies that income or opulence is not the only means to an end. Formal and informal political and economic institutions such as political participation, the effective protection of property rights or cultural habits, may be seen as crucial inputs to the generation of capabilities as well (Robeyns, 2005, p. 96).

3.1.3Functionings and Utilities

Rejecting welfarism on the ground that the exclusion of non-utility information may lead to untenable inferences on the aggregate level does not necessarily entail the limited usefulness of utility for the assessment of well-being on the individual level. Sen thus had to show that capabilities indeed capture the extent of personal well-being better than measures of happiness, pleasure or desire-fulfillment.

Sen convincingly demonstrates the inadequacy of restricting the assessment of individual well-being to utility information in terms of happiness and pleasure first in "Goods and People" (1984a) and "Rights and Capabilities" (1984b) and then in several of his later works.

Sen argues that measuring well-being in terms of happiness is substantially flawed because happiness is basically a mental state which is independent

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contrary, suggests three groups of conversion factors: personal conversion factors, social conversion factors and environmental factors.

of other aspects of well-being. For instance, concluding that a destitute farmer enjoys a high level of well-being because his religious conviction causes him to feature a cheerful disposition would seem inhuman.

Similarly, Sen concludes that the *desire approach* to the assessment of well-being "can take a deeply biased form" (1984a, p. 512). Living in an impoverished environment or working under slavish conditions causes people to lose "the courage to desire a better deal" (ibid.). By that Sen seems to be saying that people cannot desire something they do not know about. If they have never come to enjoy affluence, they will generically have low aspirations. This does not, however, imply that they would not value other states of being. Furthermore, desire and well-being may not always work in the same direction. Sen (1985, p. 189-190) argues that desiring is a consequence of valuing and that people may value things other than well-being, for example, their freedom to achieve their agency goals—a fundamentally important aspect of the CA which will be scrutinized later.

Thus, if we want to move beyond the subjectivist view of well-being in terms of some mental-state metric of utility and reject commodity fetishism of income-based approaches, we have to focus on some more objective criteria, such as a person's functionings—the "doings" and "beings" that he or she manages to achieve. This does not rule out the value of being happy since "the ability to achieve happiness … can certainly be seen as one of many [functionings]" (Sen, 1984a, p. 513) as it is indisputable an element of a good life. The claim that functionings adequately reflect well-being "builds on the straightforward fact that how well a person is must be a matter of what kind of life he or she is living and what the person is succeeding in "doing" and "being"" (Sen, 2010, p. 19). Functionings are thus intrinsically valuable. The evaluative space restricted to utility information in traditional welfare economics, liberties and rights in

libertarian approaches and primary social goods in Rawlsian justice is now significantly broadened to a plurality of focal variables in the form of functionings. Throughout his academic career, Sen has continuously emphasized the importance of capturing the diversity of elements which make up a valuable life. This is succinctly brought out in *Development as Freedom* (1999a, p. 77):

> "To insist that there should be only one homogeneous magnitude that we value is to reduce drastically the range of our evaluative reasoning. It is not, for example, to the credit of classical utilitarianism that it values only pleasure without taking any direct interest in freedom, rights, creativity or actual living conditions. To insist on the mechanical comfort of having just homogenous "good thing" would be too deny out humanity as reasoning creatures."

3.1.4 Capability and Freedom

Though we have noted that the subtle idea of freedom and opportunity in the writings of Rawls inspired Sen in the development of his "basic capability equality," we have not yet established its linkage to well-being.

Being well-nourished, participating in elections, attending school or appearing in public without shame are defined as functionings. Functioning vectors (also referred to as functioning n-tuples) describe combinations of various doings and beings that a person can achieve. The various functioning vectors within a person's reach make up for his or her capability set (Sen, 1985, pp. 200-201). Sen (1992, p. 40) suggests that the capability set can also be thought of as a budget constraint. While the budget set, a term employed in microeconomics, represents all possible combinations of goods the person is free to choose from given the prices and the person's income, the capability set describes a person's freedom to

choose from possible lifestyles. Why should we be concerned with capability in the analysis of well-being as we have concluded that a person's well-being is made up of achieved functionings? This is a reasonable objection which has even aroused confusion among scientists.

Cohen (1993) appreciates Sen's approach to measure "something falling between primary social goods and utility," (ibid., p. 18) but cannot accept "capability to have an athletic character" (ibid., p. 24). By that he means that the CA invariably prerequisites choice to obtain the benefits of goods. For him, "goods cause further desirable states directly, without any exercise of capability on the part of their beneficiary" (ibid., p. 18). He therefore contends that the focus of the evaluative exercise should be on what he calls "midfare" which "is constituted of states of the person produced by goods, states in virtue of which utility levels take the values they do" (ibid.).

Babies—to use one of his examples—cannot choose to be fed or to be clothed. Their parents must take care of that. Thus despite their inability to make choices, they nevertheless succeed in achieving valuable doings and beings. As Sen himself notes, Cohen's midfare then corresponds to what he has called functionings (1993, p. 43). Sen has always stressed that in some cases an assessment of a person's achieved functionings is indeed more appropriate than being concerned with his or her capability to function. Infants, children or mentally handicapped people may not be able to make complex choices suggesting that we should be concerned with their achieved functionings rather than with their capability. Similarly, the word "basic" in the term "basic capabilities" implies that focusing on a person's

capability is needless as long as these basic necessities are not met (Robeyns, 2005, p. 101).[20]

Nevertheless, Sen contends that our primary focus should be on capability rather than on functionings or midfare because the capability set includes valuable information on a person's freedom (Sen, 1985, pp. 201-202). Freedom matters for two reasons.

First, as argued earlier, Sen rejects the self-interest motive of traditional welfare economics and instead assumes that people may pursue goals other than material well-being. When judging a person's well-being it can be therefore crucial to check whether compared with other people this person could have achieved all relevant functioning vectors that the others could. If this is found to be true, then it can be inferred that the respective person had the freedom to live well but decided against it. Sen calls the idea of the freedom to achieve well-being—quite intuitively—well-being freedom. The differentiation of the well-being aspect into achieved well-being and well-being freedom set forth in Sen (1985) is to be seen as an essential advancement of the CA.[21]

In order to back up his assertion with some anecdotal evidence, Sen alleges the fasting versus starving example in almost all of his writings on the CA subsequent to his 1984 Dewey Lectures (1985). In this example Sen

[20] Note that the achieved functioning (chosen element) is invariably part of the capability set. The measurement of capability can thus always be employed in the analysis of well-being. It is however important to clarify initially which information is needed for proper assessment. If only achieved functionings are to be assessed then determining capability with its demanding informational requirement becomes redundant.

[21] Sen (2010) employs the differentiation between "well-being" and "advantage" to refer to the same thing.

considers a rich person who consciously decides to starve due to his religious fasting ritual and an indigent person who is deprived of the means to command food and is therefore forced to starve. In terms of their well-being achievement they are identical as both of them suffer from being undernourished. However, the rich person starves out of conviction while the poor is genuinely left with no choice. Concluding that they are identical in terms of well-being would therefore seem wrong-headed. The appraisal of well-being clearly depends on the assessment of how the adopted functioning has come about (Sen, 1992, p. 52). We thus need to be concerned with a person's capability to function.

Second, in the light of standard microeconomic consumer theory it would not be considered a loss if all elements of a capability set, except the chosen functioning vector, were eliminated because the favorite alternative would still be available. However, it may be argued that being able to choose makes a difference. This invokes the question of how we can take account of the value of freedom to choose.

Sen (1985, p. 43) suggests that one way of dealing with this problem would be to make elementary evaluation—the identification of the value of the capability set with the value of the chosen or the maximum element— and to take note of the extent of choices. However, taking the number of functioning vectors as a representation of the extent of choice would overlook that having too many choices may be more of a burden than a benefit and that the quality of the alternative obviously must also matter.

If, however, the freedom to choose is to have intrinsic value, then from a theoretical point of view freedom would need to constitute one of the dimensions of well-being. Sen thus concludes that choosing should be incorporated as one tuple in each functioning n-tuple. If we control for substantive freedom of choice then elementary evaluation may, after all, be

a viable way of dealing with the evaluation of the capability set. This is supported by the fact that "the good life is partly a life of genuine choice" (Sen, 2010, p. 45). Though this way of dealing with the problem seems reasonable, it does not resolve the fundamental problem of how to value freedom of choice. Sen never manages to clarify this issue.

3.1.5 Selection and Weighting

In describing the evolution of the CA, one fundamental aspect has been omitted so far: The issue of evaluation. Sen himself asserts that "there is no escape from the problem of evaluation" (1992, p. 44). While Sen (1980, p. 219) contents himself with outlining that the relative weights of different capabilities must be "culture-dependent", he extensively discusses the issue of valuation of functionings and the interpersonal comparability of well-being, first in *Commodities and Capabilities* (2010) and also in his later works. Our impression is that his rationale has changed little. At the risk of oversimplification, it may be said that Sen basically suggests a three-step procedure for the evaluation of well-being.

First, the functionings relating to "the underlying concerns and values" of the people have to be identified (Sen, 1992, p. 44). Because of varying cultural, social, economic and environmental circumstances Sen leaves the list of intrinsically valuable functionings deliberately open-ended and distances himself from efforts of other scholars to endorse a fully specified list.[22] In some cases it might be fairly easy to conclude a list of centrally important functionings. If, for example, we are in the context of development, confining our focus to basic capabilities may seem plausible. Moving to more affluent societies may require us to take note of more complex functionings such as appearing in public without shame or work-

[22] We shall discuss this issue at some length in section four.

life balance. Thus, the CA takes note of human diversity in a twofold way: First, in the absence of a list, human beings may decide which functionings are relevant for their lives. Second, since the object of value is a person's achieved functioning or his or her capability to function, the evaluation exercise takes account of the varying conversion characteristics in a way opulence-based approaches do not. This is important because it considers that "we are diverse, but diverse in different ways" (Sen, 1990, p. 120).

The second step takes the form of attaching weights to the respective functionings. Sen emphasizes that the functionings of the selected space are not equally valuable. Some functionings are certainly more urgent than others and are thus weighted differently. The question of how the weights are selected is quite crucial in this context. One may be tempted to think that the value attached to a functioning corresponds to the gain of utility from that state. This is not the case. While utility is a mental state metric, the individual valuation of functionings is a reflexive exercise. In this context, Sugden rightly points out that "the value of functionings is a matter of intrinsic value, and not of individual preference or choice" (1993, p. 1953).

This evaluation does not necessarily need to generate complete orderings. An individual may be able to rank A before B and C but be undecided whether State B or C offers a better lifestyle. Moving from the individual to the aggregate level, it is important to note that social evaluation does not require coincidence of individual valuations. Indeed the CA avoids Arrow-type impossibility despite varying relative weights. The intersection of conflicting views will give rise to a range of weights on which the members of society agree. From Sen's point of view, this partial ordering is not an embarrassment because social evaluation does not have to be an "all-or-nothing-exercise" (1992, p. 48). Having agreement on some parts is

certainly better than no agreement at all. In *Development as Freedom*, Sen expresses his optimism about functioning democracies, noting that the range of weights, which reflects the degree of agreement on the relative value of functionings, can be narrowed through "public discussion and democratic understanding and acceptance" (1999a, pp. 78-79).

While one may cast doubt on the practicability of weighting functionings according to this procedure, further complications arise when we move from valuing functionings to valuing capability sets. Sugden (1993, p. 1953) stresses that elementary evaluation is inconsistent with Sen's theory because if the valuation of functionings is a reflexive exercise, "it seems that the same should apply to the valuation of capabilities, so that we should not distinguish any element of the capability set in virtue of its being most preferred by, or chosen by, the person concerned". It is, however, consistent to distinguish the most valuable functioning vector of the set and identify the value of the set with the value of this vector. Although this would offer a viable solution of the problem, Sen never comments on it.

Third, having specified the selection and the weighting process we still encounter the question of which data sources ought to be used to measure functionings and capability sets. Sen says disappointingly little about this issue. Only in *Commodities and Capabilities* does he devote a chapter to the description of the procedure (2010, pp. 26-32). He contends that depending on the nature of the exercise, one has to decide which data sources are best suited. While in developing countries we may be able to obtain valuable information on people's functionings from direct observation (e.g. morbidity, nourishment, longevity), more sophisticated functionings may call for creativity in combining different sources. In some cases questionnaires will yield the best results. In other contexts we may

even make use of market purchase data for approximation. Sometimes the theoretical requirements are too demanding, and practical compromises have to be made. In this context, Sen emphasizes that "clarity of theory has to be combined with the practical need to make do with whatever information we can feasibly obtain for our actual empirical analyses" (ibid., p. 32).

3.2 The Agency Aspect of the Capability Approach

If Sen had taken on the assumption of traditional welfare economics of assessing the good in terms of personal well-being, then instead of viewing man as a rational utility maximizer, the CA would assume man to maximize his achieved functionings. In the previous section we outlined Sen's distinction between well-being and well-being freedom. If man were only concerned with the pursuit of his well-being, this distinction would seem artificial and redundant. Since Sen assumes that individuals do not make any mistakes in their choices (1985, p. 203), there would be no reason to be concerned with well-being freedom as man would naturally choose the functioning which maximizes his own well-being. If Sen, however, draws this distinction, then he must suppose that human actions may sometimes be driven by motives other than personal well-being.[23] This idea is captured by the agency aspect to whose theoretical evolution we shall turn now. In contrast to Prendergast (2005, p. 1151) who argues that Sen was first concerned with finding an informational base for a more constructive welfare economics and then drew attention to agency related issues, we believe that the two aspects evolved simultaneously and were conflated in the Dewey Lectures (1985).

[23] For further discussion of this issue, see Sen (1987b, p. 41).

3.2.1The Evolution of the Agency Aspect

In his essay "Utilitarianism and Welfarism" (1979b), Sen is particularly concerned with the two constituents of traditional welfare economics: consequentialism and welfarism. Consequentialism or outcome morality is concerned with the judgment of states of affairs. However, it does not specify the measure in which outcomes are to be assessed. Thus, unless combined with the notion of welfarism, which rules out any information other than utility and thus confines the role of rights and liberties to a purely instrumental one, consequence-based analysis can in fact incorporate the "realization and failure of rights" (Sen, 1982, pp. 5-6) in the assessment of outcomes.

Since constraint-based libertarianism attaches equal weight to all rights and liberties, it rules out the possibility of trading off the "badness" of different rights violations. It is this very notion to which Sen is opposed. In his opinion there is no reason why, for instance, the possibility of saving human lives should not justify the violation of property rights (1984b, p. 312).

Rights in the libertarian view take the form of negative freedoms, that is, "it binds others negatively … but they are under no obligation to help me to exercise these rights" (ibid., p. 313). Sen takes the view that a state in which a person does not take advantage of the opportunity to stop the violation of someone else's negative freedom is to be distinguished from a situation in which that person in fact prevents this injustice. Note that non-consequential libertarianism would, however, not make this distinction.

In his "Rights and Agency" (1982), Sen tackles this issue. First, he adopts the perspective of viewing rights in terms of capabilities, which comes close to the notion of positive freedom and not in terms of negative freedoms. Rights are normally defined as a relation between two persons.

Capabilities are in this context to be seen as a relation between a person and states of doing or being. Next, he introduces the concept of "goal rights systems". These are systems "in which fulfilment and nonrealization of rights are included among the goals, incorporated in the evaluation of state of affairs, and then applied to the choice of actions through consequential links" (ibid., p. 15).

What may at first sound quite complicated is actually quite easy. If rights are taken as capabilities (which we know have intrinsic value), then the "realization or failure" (ibid., pp. 5-6) of these capabilities has to make a difference in the evaluation of states of affairs. From the previous section we know that capabilities are weighted differently. If one capability is valued more than another and the more valuable one could be attained only if the less valuable were violated, then actions would need to be chosen which would bring about this outcome.

Recall the case outlined in section 2.3. The murder of A by B can only be prevented if C steals B's car. If murder is considered a more severe violation of someone's right than theft, then the latter will be justified to prevent the former. This applies irrespective of whether rights are defined in terms of negative freedom or in terms of capability. But now imagine A's life were in danger despite immunity from interference of B or any other person and C were nevertheless in the position to save A's life. In this case negative freedom would not require C to commit to A's savior. If we, however, define rights in terms of capability then A's life has intrinsic value and C's intervention becomes necessary.

3.2.2The Significance of the Agency Aspect

Showing responsibility and commitment in this case is what Sen (1985) generally refers to as the "agency aspect" of freedom. Sen's writings make

clear that meeting one's obligations as a moral agent may also entail sacrificing personal well-being. Agency freedom is, however, not limited to taking note of a person's allegiances and obligations. More broadly defined, the agency aspect relates to "what the person is free to do and achieve in pursuit of whatever goals or values he or she regards as important" (ibid, p. 203).[24] Thus, it may be claimed that if personal well-being is thought of as an important value, then the agency aspect can simply subsume the formerly discussed well-being aspect. Sen has rejected this notion from the very beginning. To him a clear distinction between well-being achievement, well-being freedom, agency achievement, agency freedom and the standard of living (a narrower evaluative exercise of well-being achievement introduced in Sen (1987a))[25] is indispensible because the aspects can be different in magnitude and direction.

The pursuit of one's agency goals, for instance, may compel one to give up personal well-being. For example, the fasting person foregoes his material well-being in favor of his cherished agency goal (religious conviction), but

[24] Sen (1985, p. 204) notes that the agency aspect applies only to responsible agents since children or mentally handicapped people cannot make well-informed decisions or pursue reasonable goals, thus making their well-being achievement the central concern of the evaluative exercise.

[25] While the evaluation of one's agency aspect is a broader exercise than the assessment of one's well-being and transcends an analysis in terms of functionings, measuring one's standard of living is considered a narrower evaluative exercise in terms of functionings than the appraisal of one's well-being. Sen (1987a, pp. 35-39) explains that in contrast to personal well-being, the standard of living rules out all influences on well-being that are not related to "one's own life". For instance, things done out of "sympathy" such as helping an old lady cross the street may make one feel better but do not augment one's living standard.

because he is rich he had the opportunity to achieve well-being. His well-being freedom—his ability to achieve well-being—thus remains unaffected. Failing as a moral agent, on the other hand, may reduce one's well-being freedom due to bad conscience. It is also possible that being frustrated about not accomplishing one's agency goals negatively affects one's well-being achievement, too. Sen (1985, p. 207) therefore emphasizes:

> "The ranking of alternative opportunities from the point of view of agency need not be the same as the ranking in terms of well-being, and thus the judgments of agency freedom and well-being can move in contrary directions. So, even though agency freedom is "broader" than well-being, the former cannot subsume the latter."

The clear distinction between these constitutive elements is also important for public policy. Sen (1992, pp. 69-72) explains that society may assume responsibility for a person's well-being to some extent but does not equally have to be concerned with the promotion of the person's other agency goals. The assessment of the well-being is thus more relevant to public policy.[26]

3.2.3Plurality in the Notion of Freedom

In this section we shall once more return to the notion of freedom in Sen's writings. While we characterized well-being freedom as the ability to achieve well-being, agency freedom describes a person's ability to bring about the achievements one has reason to value in a broader sense. Sen (1985, pp. 208-212) suggests two ways in which agents can bring about the valuable achievements, both in the narrower well-being sense and the

[26] Given the interdependence between agency achievement and well-being achievement, the agency aspect should however not be totally ignored by public officials.

broader agency notion. Particularly, he distinguishes between the “effective power” and the “procedural control” element of freedom. The former refers to “our ability to get what we value and want, without the levers of control being directly operated by us” (1992, p. 64). In this case it may be possible that we get what we value precisely because that is what we would have chosen. Sen refers to this phenomenon as “counterfactual choice”. For instance, we may choose to move about safely and, because state authorities know this, they provide public goods in the form of security services. In this way, we achieve our freedom to move about safely without having direct control over this freedom ourselves.

On the contrary a person’s freedom may be assessed in terms of the person’s ability to exercise control over the process of choice. The outcome is, however, left open in this perspective. Although Sen concedes that in some cases “it may not be adequate just to get what one would have chose … [and] one must actually do the choosing oneself” (1985, p. 212), he contends that “given the complex nature of social organization, it is often hard, if not impossible, to have a system that gives each person all the levers of control over her own life” (1992, p. 65). Erecting educational facilities to enjoy the freedom of being educated, providing social security to have the opportunity of being safe or establishing a functioning traffic system to be able to move about may well go beyond the scope of our capacities.

But since agency information is part of states of affairs, the ability to achieve particular states through one’s own efforts needs to be included in the assessment of outcomes. Thus, Sen suggests broadening the view of power and attaching importance to control in the appraisal of states of affairs. Prendergast (2005, p. 1152) rightly notes that this suggestion basically reflects Sen’s earlier proposal that the importance of freedom of

choice can be incorporated as an element of the functioning vector. However, just as Sen has never elaborated on the valuation of freedom of choice, he has neither specified the value of control. This suggests the assumption that despite his emphasis that both outcomes and processes matter, he attributes more importance to outcome-based consequentialism than to rights-based deontology.

In Sen's subsequent writings, the original terms "effective power" and "procedural control" were subject to some terminological changes. In *Inequality Reexamined* (1992), he refers to them as "effective freedom" and "control" and in his latest version set forth in *Development as Freedom* (1999a), he distinguishes between the "opportunity" and the "process" aspect to describe essentially the same phenomenon. In the latter one, Sen (ibid., pp. 40-41) stresses the interdependent effects between different freedoms. For example, freedom from hunger is an achievement which also allows a person to work. This occupation, in turn, generates an income which that person can use to be housed.

4 Empirical Application of the Capability Approach

Although the CA features several tensions, we shall confine our criticism to the empirical application of Sen's approach. The evaluation scheme introduced in section 3.1.4 has most notably been challenged by Sugden in his review of *Inequality Reexamined*. He casts doubt on the practicability of the CA, "given the rich array of functionings that Sen takes to be relevant" and "the extent of disagreement among reasonable people about the nature of the good life" (1993, p. 1953). In other words he is skeptical about Sen's refusal to endorse a list of centrally valuable functionings and faults the difficulty of deriving adequate weights. While addressing these issues certainly requires making reference to some recent studies, it is not

our intention to provide a detailed review of the latest methodological advancements, nor to discuss empirical results.

On the one hand, Sen emphasizes the importance of certain functionings and capabilities, such as being nourished, educated and sheltered, being able to appear in public without shame and being able to move about without fear. On the other hand, he has objected the idea of endorsing a universally applicable list of functionings and capabilities. In his brief essay "Capabilities, Lists and Public Reason: Continuing the Conversation" (2004, p. 77), Sen explains "that the problem is not with listing important capabilities, but with insisting on one predetermined canonical list of capabilities, chosen by theorists without any general social discussion or public reasoning. To have such a fixed list, emanating entirely from pure theory, is to deny the possibility of fruitful public participation on what should be included and why."

Sen's reluctance to propose a specific list has most notably been criticized by the well-known and influential philosopher, Martha Nussbaum. Though supporting Sen's idea of arguing for functionings and capabilities, she has developed a list of ten capabilities that every society must guarantee to all his citizens. Otherwise she says it "falls short of being a fully just society, whatever its level of opulence" (2003, p. 40).[27] In her opinion, Sen overemphasizes the notion of freedom as the overall social good. She is concerned that the freedom enjoyed by one party may conflict with the freedom of others. One's freedom to pollute the environment may conflict with someone else's freedom to enjoy fresh air. Thus, she argues, we need a list of capabilities which rules out the use of "bad" freedoms. Her list is

[27] Nussbaum (2003, pp. 41-42) lists the following capabilities: (1) life; (2) bodily health; (3) bodily integrity; (4) senses, imagination and thought; (5) emotions; (6) practical reason; (7) affiliation; (8) other species; (9) play; (10) control over one's environment.

deliberately open-ended so as to allow for ongoing revision. The endorsed capabilities are formulated in a way that leaves room for cultural specifications. She has also stressed that a list must include also capabilities and not just functionings. Being able to participate in political elections is certainly not the same as being forced to vote.

Most researchers make use of Nussbaum's list in their empirical investigations (e.g., Anand et al., 2005) or make a selection of functionings and capabilities in accordance with their own values and convictions. Martinetti (2000, p. 15), for example, chooses five central functionings (housing, health, education and knowledge, social interactions and psychological conditions) for her analysis of well-being in Italy. Other scholars, such as Robeyns (2003), have suggested a procedural approach for the selection of relevant functionings and capabilities by proposing a set of criteria. The participatory approach taken by Clark (2005) seems to come closest to the methodological procedure Sen has in mind when he says "it is the people directly involved who must have the opportunity to participate in deciding what should be chosen" (Sen, 1999a, p. 31). Clark's fieldwork undertaken in a South African rural village and urban township draws attention directly to the values and aspirations of the poor.

None of the above-mentioned selection procedures, however, allows for the derivation of relative weights. The issue of weighting that Sen seeks to solve through the democratic process has indeed been subject to forceful criticism. Sugden (1993) and Srinivasan (1994), for example, share the opinion that Sen's argument that the varying importance of different capabilities and functionings in the capability framework is as little an embarrassment as the varying value of commodities in the real-income framework (1992, pp. 45-46) is not compelling. In contrast to the capability framework, "the real-income framework includes an operational metric for

weighing commodities—the metric of exchange value" (Sugden, 1993, p. 1954). Respectively, Srinivasan (1994, p. 240) claims that "the only conceptually appropriate metrics for valuing functionings and capabilities have to be personalized prices or values, namely sets of values that are specific to the situation, location, time, and state of nature". Given the interpersonal variation in valuing capabilities and functionings, it seems indeed questionable whether such a neat metric can be developed for the capability framework. In his response to Sugden and Srinivasan, Sen (1999a, pp. 79-81) does not make any effort to convince them of the contrary, but does forcefully criticize the significance of the exchange value.

In traditional welfare economics, utility is derived from goods only. Supply and demand establish the relative prices of the goods sold in the marketplace. According to their preferences and their budget, utility-maximizing individuals choose which commodities they want to command. Since all individuals are assumed to have the same capacity of satisfaction, utility measures expressed by the exchange value of commodity bundles are made interpersonally comparable. Sen, however, questions the assumption that individuals have the same ability to reach content, thus disallowing for interpersonal comparison of utility levels based on choice behavior.

> "There is nothing in the methodology of demand analysis, including the theory of revealed preference, that permits any reading of interpersonal comparisons of utilities or welfares from observed choices of commodity holdings, and thus from real-income comparisons" (1999a, p. 80).

Thus the metric of exchange value of the real-income framework is neither useful for interpersonal comparisons of utility, nor for interpersonal

comparisons of well-being achievements, since the transformation of commodities into functionings is, as argued above, dependent on individual conversion characteristics. In this way, Sen conclusively rejects the merit of the real-income framework suggested by Sugden and Srinivasan. However, by pointing out the inadequacy of the metric of exchange value, Sen does not facilitate the selection and weighting procedure of the CA. Without an established measurement scale for functionings and a generally accepted weighting scheme, any empirical investigation must become seriously challenging. In fact, Anand et al. (2005, p.14) note "that such difficulties have contributed to the relative dearth of empirical applications up to now."

One method of dealing with the issue has been scaling. Scaling, the projection of variables into a 0-1 range, was employed in the Human Development Index (HDI), an alternative index to the GDP (Gross Domestic Product) per capita.[28] The advantage of scaling in this case is that international comparisons become indeed possible. But what are the relative weights of the three variables incorporated in the index? The constructors of the HDI treat all three variables are weighted equally. "There is however no reason why … weights should reflect the researcher's values or the individual's subjective valuation of different variables" (Kuklys & Robeyns, 2005, p. 22). Thus, the issue remains unresolved.

[28] The index is composed of three central variables – life expectancy, literacy, and real GDP per capita. In a cross-country section, the maximum, the minimum and the country's actual value is determined for each of the three variables. The quotient of the difference between the maximum and the country's actual value, and the difference between the maximum and the minimum value indicates the country's deprivation index for the chosen variables. By taking a simple average of all three deprivation indexes and subtracting this value from one, we get the country's specific HDI (UNDP, 1990, p. 109).

A different method is employed by Anand et al. (2005). Their approach seems to be advantageous for two reasons. First, while most empirical contributions have been limited to the analysis of the relation between functionings and well-being because secondary data sets rarely include information on people's capabilities, Anand et al. are among the few scholars who have managed to provide a first tentative investigation of the impact of capabilities on well-being.

Second, the authors seem to evade the weighting issue by taking the individuals' overall life satisfaction as a subjective measure of well-being. They then examine the effects of various variables such as health, housing, recreation, nourishment, job, etc., on well-being. Because they acknowledge that overall life satisfaction may be biased by personality traits such as "a tendency to always look on the bright side" (ibid., p. 17), they use proxies for unobserved personality traits by measures of satisfaction in particular areas of life. Thus they ensure that only capabilities have an influence on the respondents' satisfaction level enjoyed in the different areas of life. Using this methodology they are able to show that, on the one hand, capabilities have an impact on well-being measured in overall life satisfaction and, on the other hand, functionings and capabilities affect well-being differently, thus making it possible to derive a unique set of weights. However, it is questionable whether self-reported satisfaction measures, even if controlled for personality traits, are an adequate reflection of well-being.

The critical review outlined in this section shows that progress needs to be made to produce more meaningful empirical results. The current empirical shortcomings should not, however, lead to questioning the significance of the CA. In his response to Sugden's criticism, Atkinson (1998, pp. 185-186) said that "there is more than one way in which an idea of this kind can

be operationally effective … A concept is effective if it causes people to think in a different way, and this applies to analytical models as well as to quantification." In this context, Pressman and Summerfield (2000, pp. 98-102) provide an appreciation of the revolutionary impact of Sen's pioneering work on the development paradigm. Thanks to Sen's tireless efforts to consider variables apart from income for the measurement of human well-being, the United Nations Development Programme (UNDP) has published the Human Development Report annually since 1990. This report includes the previously mentioned HDI.[29] Sen's influence becomes clearly evident in the introduction of the report's first issue:

> "This Report is about people - and about how development enlarges their choices. It is about more than GNP growth, more than income and wealth and more than producing commodities and accumulating capital. A person's access to income may be one of the choices, but it is not the sum total of human endeavour" (UNDP, 1990, p. 1).

While the shift from seeing development as economic growth to seeing it as capability expansion is certainly the greatest merit of Sen's theorizing, other achievements must not be underestimated. To name only a few, his research on famines and hunger (most notably the Bengal famine in 1943) has demonstrated that famines are closely linked to the distribution of food entitlements and not to output shortage as customarily assumed.[30] Similarly, his studies on gender-related issues have shown that development goals may be better accomplished if projects concentrate on the empowerment of women. In areas where gender discrimination is a

[29] It is not my intention to discuss the pros and cons of the HDI at this point. For further reading, see UNDP (1990).

[30] For further discussion of famines and their prevention, see Sen (1999a, pp. 160-188).

serious issue, feeding programs prove more successful if they focus on the nutrition of women and girls rather than on food disbursements to the respective households; this is because resources tend be unjustly distributed among family members. Sen has also stressed that projects focusing on women help to reduce fertility rates and child mortality.[31]

5 Concluding Remarks

This paper provides evidence that similar to Newton's discovery of gravity, Sen's CA has been built "on the shoulder of giants". Many years of investigating, disputing and learning from traditional philosophical approaches preceded Sen's primordial "basic capability equality" (1980) and his first comprehensive articulation of the CA in his 1984 Dewey Lectures (1985). His idea of judging human advantage in terms of functionings and capabilities sounds simple, but is the result of a long quest.

The nihilistic foundations of standard welfare economics he encountered when studying social choice theory at the outset of his academic career made him realize that the informational base of an adequate theory of the social good would need to take account of distributional issues and the proper treatment of rights by considering non-utility information. However, as he appreciated the consequence-sensitivity of classical utilitarianism in general and standard welfare economics in particular, Nozick's rights-based approach did not represent a serious alternative. Rawls' freedom-oriented conception of primary social goods inspired him to scrutinize well-being from the standpoint of the individual. Though Sen appreciated Rawls' notion of freedom, he objected the latter's suggestion to judge individual advantage in terms of primary social goods because

[31] For further discussion of gender related issues, see Sen (1999a, pp. 189-204).

interpersonally varying conversion characteristics govern the transformation from goods into freedoms. Thus, if we are seriously interested in the freedoms people enjoy, we should look at their achievements and their ability to achieve, rather than solely their means to achieve. Neither should we limit our focus to utility measures because being happy or pleased is only one aspect of a good life. Sen felt that the assessment of the individual good should be based on achieved functionings and the capability to function.

A person's capability matters for two reasons. First, it takes note of the value of being able to choose. Second, it acknowledges that people may pursue goals other than material well-being. The latter idea is brought out by the agency aspect of the CA: obligations, allegiances and values may all be reasons to forego personal well-being. On the contrary, the joy generated through the accomplishment of one's agency goals may have a positive effect on one's well-being. Taking note of the interdependent effects between the different dimensions is a central exercise of the CA.

In our view the CA underwent only minor changes subsequent to the Dewey Lectures (1985). For example, Sen (1987a) introduced the distinction between the well-being aspect and the standard of living. Furthermore, *Development as Freedom* (1999a), his latest work considered in this analysis, shows that Sen has advanced his concept of freedom in the course of the years.

The empirical application of the CA has caused difficulties. Which functionings and capabilities are relevant? Should the selection be context-dependent or should we employ a fully specified list irrespective of the context? What is the relative value of different functionings and capabilities? Is there a way to derive weights or do researchers have to specify them according to their own values? These unresolved issues call

for further research. This should not, however, lead to questioning the significance of the CA. Empirical validity is one thing and the impact of a theory on people's way of thinking is another. The Human Development Report is only one of many examples of the impact of Sen's important work on the development paradigm.

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