Development, Capabilities, and Freedom

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In Development as Freedom (hereafter DaF), Amartya Sen has achieved an impressive synthesis, which nicely connects the many threads of his work over the last decades. The result of this lifelong effort is a wealth of illuminating ideas, ranging from clarifying conceptual distinctions to balanced and wise practical prescriptions. There are so many important issues addressed and convincing points made in this book that I will not attempt to list them, but I cannot help but mention Sen’s reassuring assertion that democratic rights, as well as social provision of health and education, need not wait until after economic development is achieved, but are positive factors in or even preconditions of development (health and education enable people to seize the opportunities offered by emerging economic activities).

Since I am not an expert on the topic of development, however, I will focus my comments about Sen’s work on some theoretical underpinnings related to social choice and his capabilities approach. I should make it clear at the outset that my comments, insofar as they are partly critical, do not impinge at all on the immense value of this book. The greater influence this book has on applied economics and policy decisions, the better. My discussion of foundational issues, in some sense, has to do with luxuries. If I believe such issues are important, however, it is because, at the end of the day, the long-lasting authority of a theory depends very much on the soundness and robustness of its foundations. Indeed, some of my remarks may also have some impact on applied issues.

Social Objectives and Informational Bases

The very concept of development suggests an orientation toward an objective, and the definition of social objectives is therefore of primary importance. This is the goal of social choice theory. Unfortunately, this theory has acquired notoriety because of a profusion of impossibility results, starting with Arrow’s

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theorem. Among many others, Sen very early identified the root of the difficulty, which is an impoverished informational basis. As Sen clearly explained, Arrow's approach, by effectively restricting attention to voting methods, may be relevant to the forging of democratic syntheses of opinions or judgments, but is not useful in solving conflicts of interests. The introduction of more information than used in voting methods (such as majority rule) is necessary not only to get around Arrow's impossibility, but also, as nicely emphasized in DaF, to account for the relevant ethical facts. Sen has devoted extraordinary energy to demonstrate, on this basis, the "possibility of social choice" (the title of his Nobel lecture).

Sen has stressed one particular way of making social choice possible, through the introduction of more information. He goes beyond a purely ordinal representation of individual welfare by introducing interpersonally comparable indexes of individual well-being. Such indexes could, in theory, measure subjective utility, but, since Robbins, economists have been wary of grounding interpersonally comparable utility measures in observable facts. Sen, like Rawls and others, has added that such subjective measures, whether possible or not, may actually not be the most relevant ones. For him, more objective notions of functionings could provide a more ethically appealing alternative which would at the same time be more suitable to interpersonally comparable measurement.

But there is another way to introduce more information that does not require interpersonally comparable indexes. It consists of making use of the shape of individual preferences in a fuller way. For instance, introducing information about marginal rates of substitution is forbidden in Arrow's approach, because Arrow requires that comparison of two allocations depend only on individual pairwise preferences over these two allocations. But introducing marginal rates of substitution is necessary, and sufficient, if preferences are convex, to identify Walrasian allocations and shadow incomes, for instance. With this additional information, one allocation can be declared better than another because it is, say, a Walrasian allocation with equal incomes. Similarly, with enough information about the shape of indifference curves one may detect whether an allocation is envy free or not (an allocation is envy free when no individual would rather have another's bundle). Relying on individual preferences in such a way has been fruitfully exploited by the theory of fair allocation, and is also the basis of Dworkin's theory of equality. Although the theory of fair allocation has mostly focused on the selection of first-best allocations, it is possible to make use of this approach to develop fine-grained rankings of allocations in a social choice perspective. And with a fine-grained ranking, second-best issues can be addressed.

The important feature of this approach is that it evaluates individual well-being (or, rather, standard of living) on the basis of individual preferences over various consumption bundles, or budget sets. This implies in particular that individuals' levels of satisfaction or happiness are disregarded. Two individuals with the same preferences and the same consumption, but unequal subjective satisfaction, will nonetheless be considered equally well off. This may be justified if, following Dworkin and others, one thinks that social justice is about the distribution of resources (possibly including personal talent) rather than the distribution of welfare. Whether this approach does account for all ethi-