Chapter 3
Exchange Entitlement Mapping

An entitlement approach called “exchange entitlement mapping,” or E-mapping, is developed throughout this chapter and chapter 4 to understand how economic events, such as changes in exchange rate, interest rate, or inflation, affect individual well-being. With his work on poverty and famines, Sen provides a basis for the measurement of exchange entitlement sets faced by an individual in the context of market interactions. E-mapping, in the sense developed by Sen (1981), represents the set of consumption bundles that the individual faces, any of which can be chosen, given his or her endowments. Sen used E-mapping to explain famines, which are due to entitlement failures to food supply, instead of the traditional explanation of a shortage in food supply alone. However, the theoretical framework presented here proposes a dynamic approach to E-mapping augmented with capabilities, from achieved functionings at time $t_0$ to potential functionings at time $t_1$ according to the individual’s social and economic entitlements. This framework helps to demonstrate that the functionings of individuals become the social entitlements of others, thus leading to the interdependence of functionings between individuals.

As much as individuals have a set of personal capabilities at a point in time and natural endowments from birth, they also have access to limited opportunities inherent to the economic and social system in which they live preventing them from achieving their ideal set of identities. Each individual is a unique combination of identities with a certain hierarchy of related ideals. The
converging ideal of all identities is to function in its sustainable living environment. Failures to be able to behave toward that ideal are considered to be failures of entitlements to this optimal functioning. The research objective here is to highlight individual entitlements or, in other words, access to economic and social opportunities of individual development. Individual entitlements are constrained by the interdependence between the choice set of an identity and the choice set of another identity. Thus, by allowing the interaction of capabilities and identities, the aim is to understand the failures leading to the limitation on the development of capabilities over time, whether in terms of economic or social entitlements. Entitlement failures to human development opportunities lead to inequality in the choice set of different identities, which then translates into the impoverishment of capabilities. The concern here is not so much about the conflict of entitlements between individuals, or about the conflict of identities for an individual, which will appear ultimately into a hierarchy of ideals. Rather, the concern here is about the fact that norms set the rules for the interdependence of entitlements and therefore determine this hierarchy of ideals at the personal and interpersonal levels.

Entitlement failures mean that individual freedoms to choose are undermined by the reduced number of alternatives the individual can choose from. In other words, entitlement failures concern the failures of the economic and social environment to provide the same opportunities for all identities to develop the capabilities one chooses to develop. In effect, the environment in which the individual evolves is a crucial element in determining his or her capability set. Restricted access to a socioeconomic environment puts constraints on the possibility to achieve potential functionings, which leads to entitlement failures to achieve these potential functionings. In a sense, it is in the tradition of Keynes who argued that economics should ensure the material preconditions for a happy life, not happiness itself that the approach of exchange-entitlement mapping developed here concerns entitlements, or more specifically entitlement failures, as preconditions that are not available in one’s living environment. Individual entitlements to an economic