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## Economia do Desenvolvimento

by

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### **Development as freedom: Understanding the Capability Approach<sup>1</sup>**

#### **Abstract:**

Since Amartya Sen won the Nobel Prize in Economic in 1998 his prominence has grown from strength to strength. Before picking up *Development as Freedom*, I had little or no idea of Amartya Sen's work. From the onset, many people noticed me reading the book. People would praise Sen without explanation, stopping me in the bus, street and library to endorse my reading.

I liked the general theme and title of the book, expecting answers to the injustices in the world. For all the interest shown, few people offered any sort of insight into the approach put forward by Amartya Sen. It stimulated me to write an explanatory paper on the Capabilities Approach. I quickly realised that the raw

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optimisms I encountered from a wide public would not help to understand the Approach.

The foundation, reach and reasoning process of the Capabilities Approach would, if read properly, force you to look underneath the surface of economics and society to see what principles makeup public policies and our value systems. We are often blind to the uneven distribution of opportunities within our countries. The difference between the haves and the have-nots in this world is truly shocking. Using the Capabilities Approach might show us that improvement and development are perhaps more within ourselves than outside of our control.

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## **Development as freedom: Understanding the Capability Approach**

This paper describes the Capabilities Approach (hence forth referred to as CA). The paper is not a comprehensive evaluation of the approach outlined in *Development as Freedom*; above all, it is a book review in a narrow sense of the word opposed to a critique.

I have used some outside sources, but the core of the paper draws from the book. There are a number of good reasons for this. The book is so exceedingly inclusive of his work beforehand, that I believe a review of earlier work would be more useful in mapping the evolution of the CA than in explaining it. The book is not very long, but extensive in scope and profoundly explored; although, it is surprisingly readable.

The paper opens with a discussion that does not appear in the book. I felt it necessary to ask “What is economics?” or rather “what should be the concern of economics?”. The point explores what we perceive as economics, and the relevance of Amartya Sen’s work to the response to these questions is reinforced through the paper.

The second part explores the foundations of CA. Amartya Sen scrutinizes prominent theories of social justice to help understand the uniqueness CA’s informational base. The paper explains the CA approach, individually, comparatively and from a perspective of the overall approach. This takes up the greatest part of the paper.

The next part of the paper tries to paint a picture of the approach, which I call *the analytical structure*. The aim is to envision the approach in its entirety rather than compartmentalising the approach. This needs understanding of the connections between its foundation, its reasoning process and capabilities in an analytical structure.

The last part of the paper deals with the application of the approach, its technicalities and comparative benefits under different study criteria. I compare policy based on income to policy based on the CA. I finish with an unconventional conclusion. I discuss criteria needed for a more complete critic of the CA.

## **Economic perspectives and concerns**

One of the great successes of Amartya Sen's work is its accessibility. He applies his theoretical beliefs to real contexts as well as comparing his base to opposing works. He uses the base of other social theories as reference points, exploiting inconsistencies in other works to highlight his view. It would be limiting to say that the CA is a rework of already trodden ground; although, Amartya Sen *does* come from a long lineage of economists from which he draws extensively. I am sure some critics, however, would beg to differ, believing his work to be outside the traditional field of economic study.

Any challenge to his work forces us to ask 'what is economics?' Instead of defining it myself, let us look at three definitions from recognised English dictionaries. The *Chambers Compact Dictionary* defines economics "as the study of the production, distribution and consumption of money, goods and services". The *Oxford Advanced Learner's Dictionary* defines it as "the study of how a society organises its money, trade and industry". And the *Longman Dictionary of Contemporary English* classifies it as "the science of the way in which industry and trade produce and use wealth"

Hum...is everyone clear? Read them again. Do you see some inconsistency between the different definitions? Well, the first one speaks of the study of the transaction process: we produce goods and services; distribute them using money as a medium of exchange and then consume them. It appears that there is not a lot to it. This (the transaction process) is definitely well worth studying; though, in my opinion, this is an incomplete definition of economics.

Looking at the second one, it is worth taking special notice of the word *society*. From a study of efficiency of the transaction process, it has become a study of how society organises this process. The word *organise* gives a much more positivist sense affecting society. While the last definition, besides using *science* in place of *study*, refers to actions in the production and use of wealth.

Why the little detour? Well, like the field of study itself, defining it can be contentious. The importance of what you consider to be Economics affects what economists study. The first definition might be agreed on by those whom consider economic activity distanced from social constraints. This study would be solely concerned with the dynamics of production factors in the transaction process. The second neglects the individual actor by focusing on society. Positive approaches tend to be insensitive to values and more interested in outcomes. Not forgetting the last definition: it is worth noting the use of the word *wealth*.

The usefulness of wealth lies in the things that it allows us to do - substantive freedoms it helps us to achieve...It is as important to recognize the crucial role of wealth in determining living conditions and the quality of life as it is to understand the qualified and contingent nature of this relationship.<sup>2</sup>

*Wealth* is seen in the CA as contributive to development rather than constitutive of development. Aristotle said, “merely useful and for the sake of something else.”<sup>3</sup> An alternative concept of *wealth* to include more than just money and property, but also what people value, would increase the scope of Economics, and, perhaps *wealth* could be considered a substantive freedom inline with Sen’s approach; though, he does not combine wealth and value as such.

Sen goes to great effort to point out that wealth creation is a necessary process to improve the lives of people in society. This is not to say that the transaction process is secondary in importance. It is in fact the essential part of economics; otherwise,

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<sup>2</sup> Sen, *A Development as Freedom* (1999:New York) p.14

<sup>3</sup> Sen (1999) P.14 (He paraphrase Aristotle here; only referencing Martha Nussbaum’s “Nature, Function and Capability: Aristotle on Political Distribution” in his notes. Following from Nussbaum example, he draws heavily on Aristotle’s idea of human function.)

you are just concerned with society. In the CA, economic growth like wealth is treated not as an end in itself but as a mean. Development is often judged in terms of income and GNP growth. The frailty of the income approach becomes obvious when comparing income per capita between countries. Under such an approach, considering income as the only criterion of judging development, Namibia is richer than China<sup>4</sup>. We must be concerned with the process of economic growth as well as opportunities that are enhanced by growth and the effectiveness of income as an *instrument* rather than an *indicator* of development.

#### *Rescuing economics from the economists*

Economics has suffered from what T.H. Huxley called the “customary fate of new truths...to begin as heresies and to end as superstitions.”<sup>5</sup> He uses this reference to illustrate the movement within economic literature from viewing markets as an imperfect but useful mechanism to a certified truth governing our economic activities. The acknowledgement of imperfections in the market system, according to Sen, led people in search of a universal solutions, radical in nature, instead of focusing on resolving or improving the system. The acceptance of the market system as better than the alternatives on offer resulted in dogmatic embeddedness of market fundamentals. The embedded view of economics, as concerned purely with money and financial activities, distances it from society. Economists often forget the reciprocal nature between economic activities and society in general.

This effort to broaden the definition of Economics to include wealth and society is important because it helps to shield the CA from direct assault on its relevance to Economics. Economics like all fields tends to suffer from what Robert Cox called the “groupies” phenomenon, where a core group who share a widely accepted “truth” try to ostracise and exclude those “loners” that don’t share the accepted version of truth.<sup>6</sup> Instead of viewing Amartya Sen’s as a loner, we should consider his work as bridging a gap between empirical and normative economics in a wider

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<sup>4</sup> Sen (1999) p.11

<sup>5</sup> Ibid. p.111

<sup>6</sup> Cox, Robert *Approaches to World Order* (1996:Cambridge) He was referring to Susan Strange’s challenge to State centric theory in international relations study.

social sciences context. His methodological solidness helps to question and contribute to empirical science through an incorporation of moral philosophy and social values that are explicitly outlined in informational base of the CA. Sen also suffers from the groupies' phenomenon, but on an intellectual academic level more space has been made for normative economic theories. Empirical science may still be the "bible" according to many in media and the financial sector, but a normative economics rebirth is happening at the cutting edge of academics.

### **The informational base: Point of departure for the Capabilities Approach**

In most cases, economists look at the transaction process as the core interest, but on its own it is a narrow interest, only looking at the efficiency of the process. "As Adam Smith noted, freedom of exchange and transaction is itself part of the parcel of the basic liberties that people have reason to value."<sup>7</sup> If, as argued, it is only a narrow concern, then a wider interaction with society must be incorporated. However, the fundamental freedom to engage in transactions is a basic value that economists can agree on, but not the only one. If we ask what we value then the study of Economics in the boarder sense becomes essential.

A broader spectrum permits a consideration of other processes in society that interact with markets and market-related organisations including states and civic institutions. Yet, this tells us very little of the CA only that it concerns more than just the transaction process. A second point on which economists will surely agree is that wealth creation is a positive feature of trade and commerce; otherwise, why else would people engage in such activities? Rather than looking at wealth creation in a sense of physical possession of money and objects, for argument sake, we could view it as a tool that offer opportunities for people to pursue their valued objectives, yet this still does not answer the question of what to value and why. Making valuation is integral to any approach.

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<sup>7</sup> Sen (1999) p.6 (Here again, he does not refer exactly to where Adam Smith said this.)

### *Rights and liberties*

Modern society has some well accepted values, as least in word if not always in practice. The existence of participatory government across much of the globe is a twentieth century success story<sup>8</sup>. Even the misuse of democratic sentiment should not take away from the value placed on participatory government. Fundamental Human Rights has attained a primary place as a global value, but not all rights have been universally recognized. It is not for the sake of universality that they are important, but rather as a belief in some legal or moral entitlements (or obligations), which is clearly an expression of value.

Liberties are more contentious than rights because individual liberty can encroach on social values. Liberties tend to be split along two lines. The more stringent line of thought sees liberty as freedom of the individual from coercion, while more inclusive perspectives equates liberty to equality, claiming that liberty without equality amounts to domination. Concerning the latter, it crucially does not view rights or liberties as values separated from their consequences, since they can impinge on others. Property rights are always continuous, especially when you ask if the stimulus to growth (which property rights can create) outweighs the inequalities or restrictions to others that they can cause. There is a danger that the consequences of liberties and rights are ignored, but there is also a risk of misperceiving the importance of rights. Procedural aspect can become more important than the individual benefit. Rights protect us as much as entitle us, but, most importantly, they serve as rules of interaction. In the approach, Sen believes that social choice, discourse and the democratic process will provide the balance between individual objectives and social values. However the point here, which is reinforced many times in the book, is that valuation needs to be *explicit*, not implicit.

To understand the informational foundation of the CA, Sen outlined other known theoretical foundations, Utilitarianism and Libertarianism, which are the base of informational for many economic studies and public policies. The importance of...

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<sup>8</sup> Sen, "Democracy as a Universal Value", in *Journal of Democracy* 10.3 (1999) 3-17



Each evaluative approach can, to a great extent, be characterized by its informational bias: the information that is needed for making judgments using that approach and – no less important – the information that is “excluded” from a direct evaluative role in that approach.<sup>9</sup>

In a more puritan Libertarian theory like Robert Nozick's<sup>10</sup> there is an absolute dominance of liberties over social concerns. Take again property or income rights, in an uncompromising view of such a theory, it would reject the idea of taxing property or income on the grounds that it restricts the liberties of people to do whatever they want with what is theirs. Absolute liberty denies responsibility towards social needs. This is an example of procedures getting priority over consequences. A much more compromising theory is held by John Rawls called “the priority of liberty”. Under this theory, there exists a defined process that lists prioritised personal liberties and basic political and civil rights. In case of a conflict, those liberties must get precedent. The question that Sen asks is: should a person's liberty get the same kind of importance (or more) than other types of personal advantages? In countries with great inequality of income and economic opportunity, but which have working procedural supports derived from a sovereign franchise, somebody can still die of hunger without anybody else's liberties or rights ever being denied. Liberties cannot have complete precedence, according to Sen.

### *Happiness and well being*

Rights and liberties appear to recede into the background when day to day life seems unthreatened by political upheaval or rampant injustice. In such an environment, another informational base often thrives – Utilitarianism. Many of its axioms have profoundly entered modern society's psyche. A lot of the established economic principles are, I believe, derived from Jeremy Bentham's theory. While Smith is often acknowledged as the father of Economics, I feel that Utility (in a very Benthamite conception) has infiltrated modern thought in the guise of economic principle, as people rush around unconsciously (or consciously) trying to

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<sup>9</sup> Sen (1999) p.56

<sup>10</sup> Ibid. p.63-67 (To see Sen's discussion on Robert Nozick's and John Rawls' theories)

maximise their utility. Yet, let's leave criticisms aside and try to outline its informational base.

The three components of Utilitarianism according to Sen are “consequentialism”, “welfarism” and “sum-ranking”. Consequentialism claims that all choices must be judged by the results that they generate. Welfarism restricts judgment of a state of affairs to the amount of utility obtained, and sum-ranking relates to calculating utility. This third component works by adding together everybody's utility then dividing it by the number of people to get an aggregate figure. The individual differences and distribution patterns are ignored in aggregate calculations. Society's goal under such an informational base, which equates social justice to utility space, is an increase of aggregate utility. By increasing overall utility, on average people should be better off.

There is some conflict over whether it's happiness, desire or choice that is being measured. And, it is here where Utilitarianism's biggest methodological criticism lies. Even if people's choices, and therefore their commodity bundle, were the same, how could you calculate and compare the utility derived by each person from those goods? It appears quite evident that “the coincidence of choice behavior need not entail congruence of utilities.”<sup>11</sup> There is a huge difficulty in making interpersonal comparisons. The utility we derive from consumption can change with our conditions and each of our circumstances are different. So, how can we compare? Well, we cannot at least not definitively.

Strengths and weaknesses lie paradoxically in the same founding premises of Utilitarianism. Its interest in the consequences (as well as in the well-being of people) is a plus over more abstract comparative methods. Utilitarian theory tells us that society's interest is generally served by getting richer. Yet, wealth creation was argued earlier to be valuable as an instrument of development. This contradiction is not resolved in a Utilitarian approach. There is a dynamics to wealth creation that

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<sup>11</sup> Sen (1999) p.69 (See also note 22 chapter 3 for others' critiques of this methodological weakness.)

Utilitarianism does not fully appreciate. And, comparatively, aggregate utility poorly explains individual well-being.

### *Other foundations*

Sen asks the question: do we want to be happy slaves or delirious vassals? It appears in some cases that we do choose to be led, whether people are conscious of it, I am not sure, but sometimes the answer to this question is a resounding yes.<sup>12</sup> Both Libertarian and Utilitarian information bases seem to over emphasise either consequential outcomes or constitutive features. In wealthy stable countries, the adoption of an informational base that focuses on well-being over procedures is understandable. Priorities change with comforts. We seem to be more susceptible to overlook our right.

When things go well, the protective power of democracy may be less missed.<sup>13</sup>

Utilitarian ethics are very strong in today's world led in part by global financiers. Yet, critics have made coherent rebuttals of Utilitarianism's interpersonal utility comparability<sup>14</sup>; however, its discourse continues today in many forms. Its tenets are evident in a recent policy paper by the UK Conservative Party called "General Well-Being".<sup>15</sup> The conditioning aspect of this approach that focuses on comfort seems to create quiet a few delirious vassals.

[Because] such potentially momentous matters as individual freedom, the fulfilment or violation of recognized rights, [and] the quality of life [are] not adequately reflected in the statistics of pleasure, [they] cannot directly swing a normative evaluation in this utilitarian structure".<sup>16</sup>

In many cases, utility comparison is nothing more than comparison of commodity baskets. In fact, many economic studies of well-being are based entirely on income

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<sup>12</sup> Sen (1999) p.62

<sup>13</sup> Ibid. p.42

<sup>14</sup> Ibid. p.58 (Note 6 + 67 ch. 3 on Lionel Robbins' critique of interpersonal Comparisons of Utility)

<sup>15</sup> "Affluence: Happiness (and how to measure it)" The Economist Dec. 19<sup>th</sup> 2006

<sup>16</sup> Sen (1999) p.56-57

comparisons. The difficulties that income comparisons suffer are summed up by Sen as: *Personal heterogeneities* – people have different physical conditions that income cannot correct. *Environmental diversities* – climate can affect well-being. It is cheap to heat and cloth yourself in a warm climate; although, infectious diseases may be more prevalent. *Variations in social climate* – public facilities and “social capital” can extremely affect well-being. *Difference in relational perspectives* – convention can direct a person’s well-being. The importance attached to social status, a completely social intervention, can shape opportunities. *Distribution within the family* – a common problem in some countries, often underdeveloped ones, is the predominance given of family investment in male children. At an extreme, it has caused “the lost women” phenomenon in Asia. Reliance on income comparisons alone with such wide variations proves to be a poor informational departure point.

Despite the argument of inadequacy in income comparison, the comparative method is still widely used in economic studies of well-being. Even so, income is without doubt a basic development instrument. Income is one aspect; rights can be another, but neither is important in isolation. Sen describes the inclusion of income and rights into a wider information base that moves focus from income to primary good.<sup>17</sup> He expands the idea of primary goods in two ways. He looks at primary goods as means of good living as well as being substantially important for their own sake. The two primary goods are substantial *freedoms* and instrumental *functionings*.

He says taking an interest in the lives people actually lead is not new to Economics. Indeed, the Aristotelian account of human goods (as Martha Nussbaum describes it) explicitly links necessity as ‘first ascertaining the function of man’ and then to explore “life in the sense of activity”. These are the basic block of normative analysis.<sup>18</sup> Living well is the basic function. Understanding how to achieve this is the analytical objective. It is not just necessities of life, but capabilities that let us access a good quality of life, and it is this, which becomes the founding base of the approach. So, the founding base is not utility space or primary goods (rights and

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<sup>17</sup> Sen (1999) p.72 (He adopts an interpretation of Rawls’ primary good)

<sup>18</sup> Ibid. P.73

necessities), but the substantive freedoms to live the life you choose and the capabilities that make it possible to access those freedoms. The technicalities of this freedom based approach are discussed later, but the importance is to understand what constitutes the foundation of the approach, thus you understand what will be studied using such an approach.

## **Analytical structure**

We need to look at the analytical structure to integrate the different part of the approach. Good health, nutrition, and long life can be categorised as substantive freedoms. Other problems are widely social in scope. Under the CA, the environment and sustainable growth are judged from their effect on human agency; how do they affect, restrict or provide opportunities for our ability to act/live. Using a reasoning process, which I discuss next, freedoms or unfreedoms can be sorted for analytical propose.

Extending our interest into the approaches analytical base, we see valuation gives way to evaluation. Sen's work is interested in the individual, as it is the primary agency of development; not solely though, as social norms *do* factor. Yet, the weight of the approach is on the value of freedoms, individualistic in nature, as opposed to exclusively socially accepted norms derived from an interpersonal or intersubjective comparison.

Indeed, individual agency is, ultimately, central to addressing these deprivations [otherwise called unfreedoms]. On the other hand, the freedom of agency that we individually have is inescapably qualified and constrained by the social, political and economic opportunities that are available to us. There is a deep complementarity between individual agency and social arrangements. It is important to give simultaneous recognition to the centrality of individual freedom and to the force of social influences on the extent and reach of individual freedom. To counter the problem that we face, we have to see individual freedom as a social

commitment. This is the basic approach that this work tries to explore and examine.<sup>19</sup>

On the one hand, we have freedom of agency, and on the other, we have an integrated analysis on an economic and social level, but the CA is not a superficial overview of individual agency and social constraints. The value placed on wealth creation and freedom of transaction is for their capacity to stimulate human development and expand substantive freedoms. Valuation is a bridge between individual agency and social choice, helping answer Sen's question: How far can wealth go to help people get what they want?<sup>20</sup>

### *Instrumental freedoms*

The integration of wealth creation and the freedom of transaction into one concept called "economic facility" can demonstrate better their interrelated functions. Having wealth or a high income can give you access to better health services, education facilities and other social opportunity. The ability to transact gives you the opportunity to create wealth. The causal link between economic facility and access to social facilities is important, but we should consider, instead, the ability of economic facility to enhance human capabilities. The difference here is between substantive and instrumental freedoms. This is: the right to live a free and valued life as opposed to freedoms that make it possible to attain that life. The right to a good-life is constitutive of freedom, but economic facility is conducive to acquiring constitutive freedoms. And it is this, the expansion of freedoms, which is constitutive of development.<sup>21</sup> Expansion of freedom can be an ends in itself as well as the means of development.

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<sup>19</sup> Sen (1999) p.xi-xii

<sup>20</sup> Sen (1999) p.3 This Refereed to an account from a Sanskrit text between a couple on the value of wealth. The wife wishes for all the wealth in the world believing it leads to immortality. The husband replies by saying that the life of rich man is but one life. She wonders "What should I do with that by which I do not become immortal?" In an economic analysis, Sen believes the conversation covers the question "How far would wealth go to help them get what they want?"

<sup>21</sup> Ibid p.xii

The expansion of freedom constitutes development within the CA. Instrumental freedoms focuses evaluation onto the process as well as assessing the end goal. Improving the means of attaining development is as important in using this approach as achieving the aim. Causal empirical links between these instrumental and constitutive freedoms can support this thesis, but not conclusively.

Some of the empirical evidence that is utilized in *Development as Freedom* is striking. An empirical connection is illustrated between equality and longevity in Britain during the World Wars. As Britain introduced universal rationing in 1914, a wartime policy, millions of Britons gained access to a standard of nutrient never before attained. The knock on effect was an increase in longevity, even when war time dead were including.<sup>22</sup> I guess the slogan should be “it is good to share”.

Another thesis on longevity recently completed in the United State revealed a positive associating between long life and years spent in school.<sup>23</sup> A further link was made between civil and political liberty and the avoidance of economic disaster. A fact Sen reiterates often is no democratic country has ever suffered a famine. The conclusion is that democratic regimes provide protective powers since parties want to be reelected.

Freedoms may perform multiple functions even sometimes serving both substantive and instrumental roles.

Political freedoms (in the form of free speech and elections) help to promote economic security. Social opportunities (in the form of education and health facilities) facilitate economic participation. Economic facilities (in the form of opportunities for participation in trade and production) can help generate personal abundance as well as public resources for social facilities. Freedoms of different kinds can strengthen one another.<sup>24</sup>

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<sup>22</sup> Sen (1999) p.49-51

<sup>23</sup> Kolata, G “A Surprising Secret to a Long Life: Stay in School” *New York Times* January 3, 2007 (It discussed a research that established a link between years spent in school and longer life.)

<sup>24</sup> Sen (1999) p. 11

He points to five crucial instrumental freedoms: economic opportunities, political freedom, social facilities, transparency guarantees and protective security. The public discussion forum, as Sen refers to it - or social discourse, as I call it - can enhance and guaranty the substantive freedoms of the individual, which is reinforced by the individual's ability to participate. So, the expansion of basic freedoms, whether constitutive - for instance fair access to work - or substantive - such as freedom to work - could be the focus of an economic study, but the reciprocal nature of the CA means that you need to be aware of both.

### *Reasoning process*

Let us back track a little to the discussion on individual agency. When evaluating the increase of freedoms, substantive or instrumental, we must remember that we are doing this from the perspective of the individual. The removal of the unfreedom of slavery may become a socially accepted norm. This is a basic human right in many countries; unfortunately, it has not been upheld in many parts of India despite its prohibition since independence.<sup>25</sup> Removal of unfreedoms also provides an effective stimulus to individual agency. 'Individuals are agents of their own development not passive receivers of benefits.'<sup>26</sup>

I believe the methodology used in the CA does have a distinct different to other works. The significance of the approach is clearly shown, helped by comparing differences between Utilitarian, Libertarian and Rawlsian bases of social justice. You cannot understand a work without understanding the base of social justice on which it is made. He describes his work, as a general exercise in practical reasoning. For him, it is not a policy framework, but a contribution to social discourse. He discourages the temptation of adoption of thought as truth. Policy cannot be finally tuned using the CA rather it reframes the picture into means and aims. It is a reasoning tool. Policy can be enlightened through a wider perspective, but no right answer exists. There is arguably some weakness in this point. Any mention or

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<sup>25</sup> Sen (1999) p.112-116 (Here a general discussion of the labour unfreedoms is made.)

<sup>26</sup> Ibid. p.xiii



making valuation is inherently political, as it tries to paint its own ideal picture of the world. This, I feel, is unavoidable consequence of making any valuation.

How do we evaluate, access and identify freedoms? I am not talking, here, about making valuations, but the reasoning process which accompanies the informational base. A separation is made between:

- 1) *The evaluative reason*: assessment of progress has to be done primarily in terms of whether the freedoms that people have are enhanced.

This is different from merely identifying the substantive and instrumental freedoms. It tells us what kind, relative intensity and empirical connections freedoms and capabilities have.

- 2) *The effectiveness reason*: achievement of development is thoroughly dependent on the free agency of people.<sup>27</sup>

This is different from merely accessing freedoms and enhancing capabilities. As Freedoms can be *conducive* to development, we view the relevant importance of, and mutually reinforcement to, human agency.

Classifying is not the perfect word but useful to conceptualise the *evaluative reasoning*. Combined with *effectiveness reasoning*, it provides insight into the dynamics of the overall approach as well as the relation of the different reasoning process to the analytical structure. When trying to conceive the overall analytical structure, you must use evaluative reasoning.

To explain the technicalities of the approach, we take the foundation of CA in terms of freedoms. A plurality of valued states of being exist for each of us. The variants states are referred to as “functionings” inline with an Aristotelian conception of human functions. Each functioning is given a weigh according to the individual valuation. The effectiveness reasoning gives rise to this plurality of values; even

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<sup>27</sup> Sen (1999) p.4

though, Sen refers to capabilities as being substantive freedoms owing to the capacity to choose, yet it is evaluative reasoning that is used across most of the analytical structure. Functionings and the capabilities associated to them are further broken down into (i) *Capabilities set* representing the different choices available and (ii) the chosen group of functionings called *the functioning vector*.<sup>28</sup>

Any study, leading on to public policy, could either focus on the *capability sets*, the real opportunities or alternatives available, or *the functioning vectors* the actual chosen option. The difference in focus is between possible actions and the benefits of a chosen action. Both evaluative perspectives can cross in a study. Social choice may become the major policy interest in the first perspective, while the second perspective evaluates results. Yet, the different application of the approach does not rest only on an evaluative perspective, but also on the specifics and extent of information used i.e. the functionings considered, and their relation to each other.

## Application

The technicalities of individual research may differ immensely in the application of this approach. The first difference lies in the *functioning vectors* versus *capability set* perspective; second is the application to a study in aim and relevance. The direct approach would focus on the evaluative perspectives as its aim. It is a challenging task, whether attempting a complete or partial ranking to weight functioning vectors. Distinguishing and weighting functionings as well as assessing *capabilities sets* and *functioning vector* becomes the explicit objective.<sup>29</sup>

Another use of the approach in a study is the supplementary approach. It uses a combination of an income based comparison, supplemented by capability considerations. It can help to illuminate income inequalities, by broadening the informational base. The final use is the indirect approach, where the income calculation is adjusted down or up according to some capabilities enjoyed by people,

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<sup>28</sup> Sen (1999) p.75

<sup>29</sup> Sen (1999) p.81-83

for example education. The question here is, if an adjusted income figure is of any relevance to income space (as the informational base). It is no longer a real income comparison, but rather some kind of comparative figure in appearance of income. The information base of this final approach lacks explicitness and clarity. Yet, the approach proves popular for its apparent simplicity to the public as an income figure.

The selected specifics and technicalities of a study using this approach need to be plainly outlined. Differences can be prominent from study to study, but all three alternatives described above share a broadened informational base and an acknowledgment of the complimentary and inter-connective nature between society, economics and human agency. The technical summary of this approach has been more superficial than the attention given to its foundation, reasoning pattern and analytical structure. A more complete analysis would need to focus heavily on a comparative study of studies using the approach as well as outlining the calculation metric employed. The most known adoption of the CA is the UNDP's Human Development Reports contributed to by Amartya Sen.

### *Economic Comparison*

One of the significances of Amartya Sen's work for me is its revaluation of economics away from a base on growth in GDP or income to the expansion of human agency. He says of his work that 'by concentrating attention on resulting functionings rather than commodities only, we reclaim some of the old heritage of professional Economics.'<sup>30</sup> The last century saw the basis of economic analysis, and eventually the values of society, moving away from Economics as human capacities creation to an end in itself, focusing on utilities, income and wealth. Observing just utility or income means you only see cumulative outcomes in terms of quantity of money held rather than comprehensive outcomes to human beings. The argument is not for or against the market system, but understanding the opportunities that can be helped or hindered by using a market system case by case.

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<sup>30</sup> Sen (1999) p.27

Comparing this approach to the GNP perspective of development provides interesting insight into current discourse on Economics. The two strongest general public perspectives held about market lead development is, first that it is generally bad due to its dehumanising effect; the other perspective sees it as a natural order. In the course of this work economic activity was split into two, transaction as a substantial freedom; and market structures in their multiple forms. Some examples of different markets conditions are markets with more or less state control, actors with more or less power, changing needs, tastes and so on, all of which demand evaluation of markets not praise or recrimination of an abstract system.

One of the development situations questioned in *Development as Freedom* is whether development is growth lead or support pulled. The markets can be engines of economic growth; transacting is essential to it, but in which order should social facilities and economic expansion take. The classic example of support lead growth is Japan. It had a high level of human capital ever before industrialisation occurred. Amartya Sen calls it “social preparedness”.<sup>31</sup> Traditional development economics takes no note of variation and timing. Comparing Irish and Portuguese economic development, inspecting sequencing not circumstance (as Ireland had a highly development market close by with a shared language) demonstrates a vast difference in social preparedness. If we take education as one example, we can compare school attendance. Around 95% of people finish the secondary educational cycle in Ireland. The numbers going through the system began increasing in the 60’s and steadily rose thereafter. This high level of education participation has not been reached in Portugal.

And of those 95% of people, who finish school, only about half stop their studies at the age of 18. Some 30% of school leavers complete a university course. Yet, a “though love” economic doctrine was adopted in Ireland as growth increased, which has left many public goods underdeveloped. The health care system didn’t have the same level of improvement, and unfortunately due to labour cost in Ireland reform has become extremely expensive. On the other hand, concentrating on the

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<sup>31</sup> Sen (1999) p.42

social net with no importance given to market dynamic can stifle human initiative. Some European countries suffer a problem with high unemployment that is treated, but not cured, by their social net.

The qualified value of recognising a good standard of living and attaining it are central to the approach. Economic facility is a very important instrumental freedom in attaining it, but not the only one. The approach offers hope to the majority of the human race, who don't have such a state of well-being as the richer minority. Distribution of wealth can be an important tool in improving well-being. (You just need to remember the wartime experience in Britain.) Distribution of wealth within a country can be as important as increasing growth of the aggregate whole. A basic ethical question needs highlighting here – equality - , while recognising the humans condition as active in the moulding our society and environment rather than the idea of humanity as passive in its existence.

## Conclusion

At the onset of this work, I hope to place the CA in the context of a wider debate on how society should function, while at the same time comparing, contrasting and producing a general critic of the approach advanced by Amartya Sen. In the end, I just tried to understand, describe and explain it. The paper draws primarily from the book *Development as Freedom*. Yet, this does not, I feel, diminish an understanding of Sen's approach, as this book brings together a life time of work on the Capabilities Approach. Reading other papers would surely give a deeper understanding of the approach, but from my reading of his paper referred to in my notes, I saw that content and approach did not fundamentally differ.

I noted a number of passages in his work "Equality of What?" that he uses again to discuss the informational base in the third chapter of the book, and a part of the first chapter, with the subtitle "Markets as Freedom", was taken from a paper of the same name.<sup>32</sup> This paper discussed *economic facility*, but the term was not used in

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<sup>32</sup> Sen, *A Markets as Freedom* (1993:Oxford)

the 1993 text. Of particular interest must be the papers that treat the more technical metric issue –“Equality of What?” (1980), “Commodities and Capabilities” (1985) and “Inequalities Reexamined” (1992). As he said himself, this is not fully treated in *Development as Freedom*.

I began to understand the approach as I read it, so the paper appears to flow without brakes between the different aspect of the approach rather than being neatly divided into chapters discussing each individually; however, the complementary nature of the approach demands a lot of crossing over or referrals back. The revelation that I made doing this paper is the premise ‘You cannot really understand a work without understanding the base on which it is made’. Owing to this, I spent a lot of time reviewing the foundations on which the approach is built, but not before, I answered the question - what is economics?

The progression of the paper needed first to adequately address the foundational question, the informational base. Once this had been attended to I moved on attempting to conceive a kind of analytical structure to fit parts, ideas and concepts together in a schema. The effectiveness of instrumental freedoms in enhancing capabilities and human agency was celebrated, but evaluational reasoning was used to conceive the structure as a whole. Next; the paper dealt with applying the approach to different study bases, discussing the pros and cons of adopting more or less completely the approach to a study. The finally part compared income based development policy to a capabilities based approach.

A more critical treatment of the approach would need to go beyond simply describing it. A critical assessment of the CA could be made in a number of areas. One such area raises questions of Sen’s Individual. In Thanh-Dam Truong’s working paper *Gender and Human Development: A Feminist Perspective*, she argues that Sen’s Individual does not diverge greatly from *Homo Economicus*, and his concepts of production subdues reproduction to a secondary economic concern derived from nature. The second point made on social space and politics, as a

domain of power between men and women, cannot, according to Truong, receive adequate treatment due to Sen's conception of social construction.<sup>33</sup>

Social and interpersonal analysis is also left somewhat undefined. The problem comes from Individual agency and social choice not appearing to have a tight connection. And finally, selling the approach as policy brings up difficulties not discussed by Sen. The approach is inherently political in nature. It is based on equality ideals that for some seem self evident, but for other, those ideals draw out opposition once people feel threatened of losing something. You just need to consider Sen's partial adaptation of "Pareto optimality", where, in his approach, an increase in freedom for one leads to lose to another.<sup>34</sup> Some has to lose out, even if, the aggregate increases. In Sen's eyes, this is a result of great distribution of wealth from the haves to the have-nots.

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<sup>33</sup> Truong, T.D *Gender and Human Development: A Feminist Perspective* (1997:The Hague)

<sup>34</sup> Sen (1999) p.117-118