

## **Philosophical Issues in Economics**

*A collection of essays submitted by the MPhil class of 2004-2005*

By

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[Note: The standard disclaimer applies]

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## I. Utilitarianism

*Invent an example to illustrate the following form of attack on utilitarianism: in situation Z, utilitarianism implies one ought to do P; but doing P [or doing P on utilitarian grounds alone] is morally repugnant; so utilitarianism should be rejected. Use the example to illustrate ways in which such an attack could be resisted. Do any leading critical cases in the literature seem especially resistible in one or more of these ways? Do any still seem strong? Does your analysis suggest any conclusions about the effectiveness of this method of criticism?*

## Essay 1

(by Maryam Tanwir)

Utility or the greatest happiness principle holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness. By happiness is intended pleasure and the absence of pain, by unhappiness, pain, and the privation of pleasure.<sup>1</sup>

Critics have attacked this theory by constructing examples-say, a situation Z- where utilitarianism implies doing a certain act P, which the critics claim is morally repugnant and hence should be rejected. A possible utilitarian response is to argue that though P is unpleasant it is the best solution in a myriad of bad solutions and should therefore be accepted after all.

Imagine a situation in which a boat is sailing in to the Deep-Sea. It is carrying ten children. I am the eleventh person, the sailor, the only one capable of sailing the boat. Without the sailor the boat will sink. A catastrophe happens. The boat is overweight. It slowly starts sinking. All eleven of us will drown within the next three minutes. There are no rescue facilities available. No help can be relied upon. There is only one hope. If the boat is lighter by a couple of hundred pounds it can stop sinking and stabilize. That means two people from the boat have to jump out. I can't leave because I am the only one who can manage the boat. The choice is in this situation (Z) to make two children people leave the boat (P) or to put it bluntly throw two of them out. A utilitarian would throw two people out of the boat and save the other nine as opposed to allowing all eleven to die. To minimise the pain of letting eleven people die or forcibly throwing two out, he could ask two to jump out. Hopefully having the solace that they are saving lives of nine people in the process, so their pain of embracing death is minimised by knowing their death is not going to waste, as opposed to sinking with the boat and dying needlessly. Critics say doing P is morally repugnant, and consequently utilitarianism should be rejected, a utilitarian would say it is morally unpleasant, but necessary, not doing it, and averting disaster, is what would be morally repugnant. The utilitarian must triumph in

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<sup>1</sup> J.S.Mill, *Utilitarianism*

averting the worst-case scenario. The defence that a utilitarian would use is that he offers much better alternative than a non utilitarian would offer, which is allowing all eleven to die.

This analogy can also be applied to other leading examples, where utilitarianism is attacked but seems clearly resistible in this manner. To discuss the leading example by Bernard Williams, where Utilitarianism is accused of not incorporating Jim's integrity: In this example if Jim shoots one person, he can save nineteen lives. If he does not concede to shoot one, all will assuredly die. Jim is standing at the crossroads trying to come in grips with his moral dilemma of shooting one. The utilitarian would tell Jim to shoot. And here the utilitarian is accused of ignoring Jim's 'moral repugnancy'. But should the utilitarian really entertain his moral repugnancy at the cost of nineteen lives? Here the utilitarian and the most rational answer would be that Jim's integrity should be based on the exaltation of having the opportunity of saving nineteen lives. His moral squeamishness needs to be contained. The fact that Jim might find it difficult to live with psychological state should not be given precedence before minimizing the horror for the extra victims. It is too self indulgent on his part to be find the solution of saving nineteen and shooting one morally repugnant. Why is his integrity not based on saving nineteen lives? He should be noble, put his pleasure aside, for the pleasure of the nineteen lives saved. As J.J.C Smart aptly comments, "It is right for the utilitarian to sacrifice the harmony of his own mind to others"<sup>2</sup>

To analyse the criticism levied in the example by Bernard Williams on the dilemma of George. George is desperate for a job. His lack of a job is a serious cause of stress and pain for his wife and family. He gets the opportunity to work in a Laboratory, (situation Z) which pursues research in chemical and biological research. George is opposed to the principle. But if he does not accept the job, it will go to his contemporary who is very keen on the job and will be very efficient in promoting the cause. The utilitarian says George should take it (P), since not only will the job minimize the pain at home but also George will actually be instrumental in impeding dangerous research. Just as before why is the utilitarian accused here? What else is a better option? George stays at

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<sup>2</sup> J.Glover 1990, Utilitarianism and its critics.

home, increase the pain of his children and wife, by not providing for them, and allow his contemporary to accelerate the research in chemical and biological warfare and consequently increase the pain in the society. There can be an analogy to this example here. If you have a despot for a ruler, who was evil and irrational, but relied heavily on his advisor, and if you were offered to take on the position, even if you hated him, would you not take it up, so you could minimize the damage he could mete out, or would you lament over your morally repugnancy for the man, and refrain from joining the post as advisor, allowing for the maximization of damage to your country men, by allowing some other man to be an advisor who was in sympathy with the despot ruler? The Utilitarian rejects the dissolution of its doctrine by arguing that there is no loss of Integrity. His integrity should be based on being instrumental in impeding the research, or in the other case minimizing the damage to his country. The act is not morally repugnant and hence utilitarianism should not be rejected.

Another leading example, which is used to discredit Utilitarianism, is the one relating to the survival lottery by John Harris. This example also seems resistible but in a different way. In this situation two patients X and Y are in a dire need of organ transplant. One needs a liver and the other a pair of lungs. If they do not receive the donation they will assuredly die. It is ludicrously proposed here that a utilitarian would suggest that one healthy person should be killed so his organs can be donated to the two. But it is apparent that Utilitarianism is misapplied here. It does not dictate to kill. This is a far too calculated and an extreme response. Here the critics accuse the utilitarian of allowing the murder of one to save two lives. The utilitarian can reply by saying that he is falsely accused of this charge. Fortunately there are other feasible and less drastic methods available to the utilitarian to save the situation. People might be requested to give donor cards on their own free will. Some might donate while living by free will. And when they donate voluntarily, they feel better about themselves, feel the nobleness in their character, hence pain of dying/donating is minimized, as opposed to being killed against one's will, where the pain would be colossal. So pain is minimized and the pleasure is further enhanced, as the survivors do not carry the burden of dealing with the guilt that they forcibly took someone's life to save their own. Consequently their pleasure of living is not jeopardised. A utilitarian can also argue that if people were cognisant of

the fact that they lived in a survival lottery world, it would assuredly undermine their happiness. So the utilitarian in this situation pleads that he is unjustly accused here. In this situation (Z) he does not dictate to kill (P), so utilitarianism should certainly be not rejected.

A strong support to these examples lies in the fact that Utilitarianism has a very high moral ground; it promotes happiness of all, even if individual has to sacrifice. An apt example is mentioned in “Utilitarianism and its critics” by Jonathon Glover. If I come across a lot of money my personal happiness would be the most maximized by taking a luxury vacation around Europe, but according to the utilitarian the maximization of happiness for the society would be better attained if I spend that money on charity.

The whole essence of utilitarianism is in the understanding of word Happiness.

*‘When it dictates that happiness is the directive rule of human conduct, it is not referring to the individuals own greatest happiness but the greatest happiness altogether. And between his happiness and that of others, utilitarianism requires him to be strictly impartial as a disinterested and benevolent spectator.*

*Those who entertain anything like a just idea of its disinterested character, sometimes find fault with its standard as being too high for humanity. They say it is exacting too much to require that people shall always act from the inducement of promoting the general interests of society’.*<sup>3</sup>

When the utilitarian such as J.S.Mill postulates that the end aim of morality and conduct is happiness, he is not referring to happiness based on the sensory or physical pleasures or the pleasures the Champagne addict has in A.Sen’s example. The happiness refers to a more profound moral feeling. This word has immense potential. In it lies the greatest defence of utilitarianism. Foremost it is rational. Secondly it is derived out of selflessness. The goal then is an ideal state when one is cognizant of the fact that its actions were guided with rationality, objectivity, selflessness and nobleness of character. And the consequences lead to the greatest amount of happiness for all.

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<sup>3</sup> J.S.Mill ‘utilitarianism’ pg 24.

Consequently the leading examples mentioned in the essay break down and don't seem strong anymore, once utilitarianism is understood the way J.S.Mill expounded it. In addition this method of working with examples to prove or discredit utilitarianism does not work very well. Since all the cases are extreme and have little relation to everyday life. This method of proving or discrediting a theory by attacking it with extreme unrealistic examples is not the best way to realize its worth. It is a moral principle, which dictates the aim of life and should be viewed in everyday situations to evaluate its merit. And if there is an example where Utilitarianism cannot give a pertinent response that should not automatically lead to its dissolution. There are ample exceptions in most moral philosophies where a theory cannot satisfy some extreme example, should that lead to their dissolution?

Of course as a moral philosophy it does not claim to be perfect. It has weaknesses like having too high a moral ground, not easily attainable. It can be faulted as having too high a standard for humanity. It can be too demanding and exhausting to require that people should always act to promote the general happiness of the society. People cannot really measure how people feel about things. It can be impersonal. Also according to A.Sen it does not consider the distribution of utility, or differences between individuals, or the intrinsic value of things other than end-states.

Nonetheless in the above mentioned examples utilitarianism does stand as a morally philosophy where it endeavours to maximize the happiness, and minimize pain of all, and offers the best solution in a myriad of worse solutions. In the examples of a sinking boat, Jim and George's dilemma what other moral principles would a non-utilitarian apply? Which standards would hold here? Are they better solutions? Utilitarianism assuredly gives the least bad solution in face of much worse solutions.

There is no moral philosophy, which works in every (extreme) situation. What the test is whether the philosophy works well on its basic postulates, and offers better standards than alternative theories. Arguing with extreme examples to negate a theory is a fruitless endeavour, but even then the utilitarian has ample defence for its doctrine.

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## II. Capability

*a. Compare the cases of a starving man in a famine, a fasting priest, a person with very expensive tastes in food, and an undernourished Indian wife nourishing her husband, in order to investigate advantages and difficulties in taking ‘the appropriate “space” for much evaluation to be ‘that of the substantive freedoms – the capabilities – to choose a life one has reason to value’ (Sen).*

OR

*b. ‘For many evaluative purposes, the appropriate “space” is neither that of utilities (as claimed by welfarists), nor that of primary goods (as demanded by Rawls), but that of the substantive freedoms – the capabilities – to choose a life one has reason to value’ (Sen). Explain the basis for this view; and outline what problems might arise in making capabilities the evaluative space. How far do you agree with Sen’s claim?*

## Essay 1

(by Mariah Mansvelt Beck)

In order to assess a state of affairs such as the level of development, wellbeing, or inequality different evaluative approaches have been developed focusing on different informational bases (Sen 1999:57). The capability approach as developed by Sen, which places freedom as its main focus, asserts that income and wealth are “not desirable for their own sake”, but because they typically are a means for having “more freedom to lead the kind of lives we have reason to value” (Sen 1999:14). To investigate the advantages and difficulties in taking “the appropriate ‘space’” to be “that of the substantive freedoms – the capabilities” (Sen 1999:74), this essay will contrast this view with four others with different evaluative spaces, namely those of income, utility, primary goods and the human development index (HDI) while focussing on four particular cases as outlined in the table below.

Income is commonly used to assess the comparative wellbeing or poverty levels within and between societies. By fixing a poverty line in terms of income, comparative analysis has often been facilitated (Sen 1995:102). In contrast, welfarists evaluate a state of affairs by the individual utilities in that state (Sen 1995:43). Utility is defined in terms of a mental condition, such as pleasure, happiness or desire, sometimes as reflected in choice (Sen 1995:53). Rawls on the other hand maintains a wide and less subjective informational basis of primary goods. Primary goods are the resources people need to promote their ends. They include income and wealth, rights, liberties and opportunities, and the social bases of self respect (Rawls 1971: 60-5). Lastly, proponents of the human development approach, who advocate a people-centred view of development, developed the HDI (Stewart 2004:2). The HDI maintains the simplicity of a single numerical value, like income-based approaches (Sen 2004:4). It, however, has broadened its informational base to include not only income, but also health, which is measured by life expectancy and knowledge, which is measured by a weighted average of adult literacy rate and either mean years of schooling or the combined enrolment ratio (Stewart 2004:3).

According to Sen the objective of an evaluative approach should be to concentrate on an individual's real opportunities to pursue his or her objectives, criticising the above approaches for maintaining a too restrictive informational base (Sen 1999:56-8). To do this the capability approach focuses on the characteristics of commodities that enable a 'functioning'. Commodities, can be compared to Rawls' primary goods, whereas functionings are what certain characteristics enable people to do or be. For example a bike is a commodity and it enables the functioning of mobility (Robeyns 2000: 5). Personal, social and environmental conversion factors must be taken into account that influence an individual's ability to convert the characteristics of the commodity into a functioning (Sen 1999:74). If a person is physically disabled and cannot ride a bike or can ride it with more difficulty, if women are not allowed to ride bikes in a certain society, or if there are no roads, all of these factors restrict an individual's potential functioning to be mobile. An individual's potential functionings are referred to as capabilities and all of an individual's capabilities are referred to as a capability set (Robeyns 2003:12). The capability set thus represents the freedom a person has to achieve certain things. Hence, the capability approach does not merely focus on an individual's achieved functionings, which form a partial reflection of an individual's capability set and are, as Robeyns indicates, influenced by individuals' different ideas of what a good life consists of (Robeyns 2003:14-5).

The following table will be discussed in relation to the capability approach;

<b>FOCUS ON:</b>	<b>Income</b>	<b>Utility (as supported by welfarists)</b>	<b>Primary goods (Rawls)</b>	<b>Capabilities (Sen)</b>	<b>HDI (human development approach)</b>
<b>CASE OF:</b>  <b>Starving man in a famine</b>	Under poverty line	Low utility	Would reflect lack of food	Would reflect lack of capability	Would reflect inadequate levels of health and income
<b>CASE I</b>  <b>Fasting priest</b>	Above poverty line	Most likely normal utility	Would reflect the fact that the priest has	Would reflect that the priest had the capability to	Would reflect the priest's access to adequate

<b>CASE I</b>			adequate access to food	be well-nourished	income and lack of health
<b>Undernourished Indian wife nourishing her husband (with an inadequate household income)</b> <b>CASE II</b>	Would reflect low household income but probably not personal distribution of income *	Most likely normal utility *	Unlikely to take this case into account	Would reflect lack of capability/choice	Would reflect wife's lack of health compared to her husband's and their inadequate amount of income
<b>Person with very expensive tastes in food (and only normal income)</b> <b>CASE III</b>	Above poverty line	Most likely low utility *	Not a case of utility injustice but a case of preferences that are own responsibility	Depends on which functionings one is focusing on *	Would reflect person's adequate health and income

\* The cases marked with a star are those that *DO NOT* seem intuitively satisfying.

#### CASE I – The starving man versus the fasting priest

By contrasting the cases of the starving man and the fasting priest Sen shows the advantage of focusing on capabilities instead of achieved functionings. Both would appear to have the same lack of achieved functioning to be well nourished. The capability approach however, directly shows the difference in capabilities between the two, where the priest has the capability to be well nourished whereas the starving person does not (Sen 1999:75).

However, since the other evaluative spaces in the table above focus on other achieved functionings, which influence ones' ability to choose to be well nourished, the

same difference can be deduced out of the fact that the priest is not lacking income, utility or access to food.

#### CASE II – The undernourished Indian wife

The case of the undernourished Indian wife illustrates one of the weaknesses of using income data, which generally relates to household income as a whole, as the evaluative space, since it does not account for unequal distribution within the household.

Sen demonstrates that marginal utility's weakness as the evaluative space is due to its limited concern with the maximisation of the utility sum, which leads it to ignore inequalities in distribution (see Sen 1980:203 for an example). Sen points out that 'total utility equality' can overcome this problem by no longer focussing on the "additional utility that *would be* generated if the person had one more unit of income" but by concentrating on observed utility, aiming to increase the utility level of the worst-off person (Sen 1980:205-6). This type of utility is however also problematic. When comparing the cases of the Indian wife and the person with expensive tastes in food, according to total utility equality, the person with the lowest utility will be granted more resources. Total utility equality overlooks the fact that the Indian wife's level of utility will not reflect her entrenched deprivation and apparent worse situation than the person with expensive tastes and low utility, since the Indian wife has adapted to her situation (Sen 1999:62-3). It thus, fails to account for adaptation and mental conditioning effects (Sen 1999:62).

Rawls' theory of justice does not take the diversity of human beings fully into account (Sen 1980:215). As Rawls states, "I also suppose that everyone has physical needs and psychological capacities within the normal range, so that the problems of special health care and of how to treat the mentally defective do not arise [...] hard cases can distract our moral perception by leading us to think of people distant from us whose fate arouses pity and anxiety"(Rawls 1975:96). Consequently Rawls' theory considers the cases of, for example, physically or mentally handicapped people irrelevant. In the case

of the Indian wife it is unclear whether Rawls' conception of primary goods, particularly that of equal opportunity, would recognise the Indian wife's personal constraint. One of the problems with applying Rawls' theory to the same objective as Sen's approach, to assess people's substantive freedoms and committing to equality in this domain, may be, as Sugden explains, due to the fact that Rawls' theory does not share this objective (Sugden 1993:1957).

Sen argues that Rawls' theory of justice by overlooking these "hard cases" does more injustice than justice (Sen 1980:215-16). Hence one of the main focuses of the capability approach is the diversity of human beings and the differences between people's ability to convert the same commodities into achieved functionings (Sen 1999:69-70). In the case of the Indian wife, her gender acts as a limiting factor in her ability to convert the inadequate household income to her advantage. If the Indian wife would have access to adequate means to nourish herself, she most likely would. But in her current situation she chooses, influenced by her social and cultural environment, to feed her husband before herself.

The Indian's wife entrenched deprivation can be deduced from the HDI, but it does not directly include the reason for her deprivation in comparison to her husbands.

### CASE III – The person with expensive tastes

Sen uses Rawls' theory to illustrate its superiority over that of utility in the case of someone with expensive tastes and thus a lower utility with a normal amount of resources (for Rawls' response refer back to the table) (Sen 1999:72). The capability approach is however much more ambiguous in this particular case.

Robeyns makes the case for a businessman who 'needs' an expensive car to gain respect from his peers and/or to appear in public without shame (Robeyns, 2003:22). A similar case can be made for the person with expensive tastes in food. If the person with expensive tastes in food would be a chef, for example, would he 'need' more expensive food to gain respect from his peers? As Sen's capability approach is not a theory and only sets out a framework, in the case of someone with expensive tastes in food it depends on

which functionings are chosen as the focus for evaluation (Robeyns 2003:8). If the focus is on the functioning to be well nourished, expensive tastes would be irrelevant since a lesser amount of resources would amount to the same capability. If the functioning of focus would be to gain respect from peers, expensive tastes in food might influence an individual's capabilities. This supports the argument that if the purpose of evaluation is poverty analysis there is a need to make a clear distinction between basic capabilities and other capabilities. Basic capabilities are the capabilities individuals need to fulfil their basic needs, thus including relatively agreed upon functionings. Other capabilities are more open to debate and would need to be selected in direct context to whatever one is aiming to evaluate.

It follows from the comparison between the different approaches based on their varying informational bases that in terms of poverty analysis the HDI is capable of reflecting individual deprivation on the basis of its indicators focussing on health, education and income. The HDI's simplicity makes it easier to operationalise than the capability approach and to make large comparisons, between countries or regions. However, for policy interventions, the situation needs to be understood in more detail; the reason why the Indian wife is relatively less well off than her husband becomes essential. The capability approach due to its non-exclusive informational base, taking the social and cultural environment and individual conditions into account, thus provides an appropriate, all-inclusive framework to base policy decisions on. Due to the fact that its informational base - the capabilities - are not fixed and must be decided on a case basis, the capability approach's disadvantage, with regard to the case of the person with expensive tastes, can be overcome. Hence, the advantage of the capability approach's flexibility outweighs its main disadvantage in a policy-making environment.

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## Essay 2

### ON THE GOODNESS OF DESCRIPTIONS FOR DEVELOPMENT

#### *A critical examination of the evaluative framework of the capability approach*

Description needs information – factual, ideal. The exercise of describing any event or thing requires an act of selection by the describer.<sup>4</sup> This selection must be done from the amount of information available, which may not be – seldom is – comprehensive in scope. A larger information set helps generate new possibilities for a selection that is more accurate and/or useful.

The task of development theorists and practitioners is to recognise serious issues – issues that lead to some sort of deprivation – being faced by people in developing, and more developed, countries. Such recognition entails an act of description: description of what constitutes serious issues; and the determination of the state of deprivation itself. This description, or recognition, is a function of two things: the absolute set of information at one's disposal, and the selection criterion – evaluation tool – used to prioritise a certain sub-set of information.

The evaluation may be better, and accurate, if the amount of information available is broad in scope. A broader information set – an appropriate informational base – Amartya Sen argues, provides a better description, *and* an accurate one, of the actual situations of human beings. According to him, a plural evaluation approach in development – like that of capabilities – provides good descriptions and descriptions that are good (to give).<sup>5</sup> The capability approach conveys more accurate descriptions – where accuracy is determined by how the description corresponds to factual reality – and

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<sup>4</sup> This section refers mostly to the following two works: Sen (1980) and Sen (1999).

<sup>5</sup> Sen has an analogy making the distinction between a good description, and a description that is good to give, clearer. We may tell person A who is determined to kill person B that B ran off to the west side of town (when we know that B went off to the east side), in order to save human life – in this case, that of B. Our description in this case is a good one to give (as it saves B's life), but obviously not a good description. A good description would require that we give an accurate account; it requires that we inform A that B went to the east side of town. (This is a modified account of Sen's analogy, which Sen seems to have borrowed from Kant's similar account in a different context).

descriptions that are useful in that they help formulate effective development policies, which in turn help alleviate deprivation – of food, liberty, access to education, healthcare – prevalent among human beings.<sup>6</sup>

In the following hypothetical dialogue, Sen explains his position: why he thinks that his capability approach provides “the proper space” – that of substantive freedoms – for evaluation of development concerns.<sup>7</sup> He explains why he thinks this approach provides more accurate, *and* more useful, descriptions – good descriptions and descriptions that are good to give, for development.

The dialogue takes place in Café Purgatory. Samuelson led Sen there, after a faculty meeting of the Ivy League consortium, to discuss the capability approach with Bentham, Mill, Nozick, and Rawls.

### (I)

#### **Sen’s case: capabilities provide a better informational base for evaluations**

You ask why I bother with appropriate informational bases for evaluation. Because, they are critical for any evaluation; I have explained this elsewhere and provided examples of the same.<sup>8</sup> But the presence of such a distinguished audience requires an original example.

Consider the following.<sup>9</sup> Chang is starving because of a devastating famine. Pedro, a Jesuit priest, chooses to fast during lent as a matter of faith. George – who has an expensive taste in food – will either consume champagne and caviar like a glutton, or starve. And Nabaneeta, who is a housewife, chooses to nourish her husband, while underfeeding herself (thinking that as sole earner of income for the household he

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<sup>6</sup> The general argument for the differentiation between good descriptions and descriptions that are good to give is available in Sen (1980), while the more specific claims about the capability approach are available in Sen (1979; Section 4: Basic Capability Equality), and Sen (1999; Chapter 3, p 74-81).

<sup>7</sup> Sen (1999, p 74).

<sup>8</sup> The Annapurna parable; see Sen (1999, p 54-55).

<sup>9</sup> Broad outline of question provided by Dr. Gay Meeks.

deserves complete nourishment, and the prevalent cultural norms in her society expect her to act likewise).

Our goal, as those concerned with human development – also termed human welfare, justice, happiness – is to ensure that Chang, Pedro, George and Nabaneeta maximise their well-being. The informational base of our evaluative framework, I argue, will directly influence our determination of their present well-being. And, will thereby, help ascertain what course of action we take to ensure our goal: well-being maximisation.

An accurate description of the current state of well-being can only occur in the realm of possible functionings available to these four individuals.<sup>10</sup> That is to say, an intermediate space where we see the beings and functionings of people, not their consumption level or utilities, is the best place to determine a person's actual well-being. The set of possible functionings is the capability set. From this set an individual can choose her final outcome, which would be the achieved functioning. This act of choice can be termed technically as the chosen functioning vector. Various conversion factors, like personal heterogeneities, environmental diversities, variations in social climate, influence the capability set, and choice of functioning vector.

This framework yields a more accurate description of the current well-being state of our four individuals than those offered by other prevalent theories. For example, on what basis can one differentiate the well-being of Pedro and Chang if only consumption counts: both are starving, so their well-being ought to be same? Or if we look at utility, does the well-being of Nabaneeta equal that of George (if his diet of caviar and champagne is available to him), when she is under-nourished but resigned herself to her situation due to social norms, while George hogs his caviar? What use is a right to food either, when one has resigned oneself to such a state, as Nabaneeta's?

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<sup>10</sup> This section relies heavily on Sen (1999, 1979); Robeyns (2004a).

Only the by viewing their functionings can we thus evaluate their well-being. And thereby, act in ways to improve their well-being. [Bentham interrupts Sen at this point].

(II)

Café Purgatory: cross-examining Sen’s case for capabilities

**Bentham: What a rigmarole of words! Why complicate the system, when we have a perfect framework for this – the principle of utility!**<sup>11</sup>

Sen: Well, Robert here has shown the deficiency of the utilitarian principle.<sup>12</sup> Also, in terms of viewing things in final states, how does one differentiate an opium smoker’s pleasures, while he consumes opium, from those of Cato’s, when he engages in oratory in front of the Roman Senate?

However, I will prove my point here using the normal utilitarian framework, and not go delve into extreme cases or examples.

	<b>Functioning</b>	<b>Consequence</b>	<b>Welfare</b>	<b>Utility (<i>mental states</i>)</b>
<b>Chang</b>	Starving (Necessity)	Hungry	Low	Low
<b>Pedro</b>	Fasting (Choice)	Hungry	High <sup>13</sup>	High
<b>George</b>	Fasting/Eating (C/C factor)	Hungry / Nourished	Low / High	Low / High

<sup>11</sup> Bentham (1822).

<sup>12</sup> Nozick (1977).

<sup>13</sup> Pedro’s welfare determined to be high here because his achieved functioning helps him fulfil his moral/religious duty, which is a state of welfare, independent from the narrow mental state – utility – satisfaction. It helps him achieve his social welfare (as part of the community of Catholic priests, Catholics, etc).

<b>Nabaneeta</b>	Underfeeding (Choice)	Under- nourishment	High <sup>14</sup>	High
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Let us assume that we have £1000 to distribute among the four to alleviate their hunger. The sum can only be distributed in discrete increments of £100. The following conditions are in force. Pedro and Nabaneeta have no change in their respective utilities with any additional sum of money. Their utilities are indifferent to increases in income, as the consequence of this additional amount of income does not affect their choice.

Chang gains 800 units of utility with the first £100, since it helps him buy a kilo of rice (rice is sold at the rate of £100/kg only; water, salt and fuel are freely available, as is the utensil and gas stove). After the initial £100, every additional £100, increases his utility by 100 units. Because, he has inexpensive tastes in food. And once he has rice, he tends to save the additional amounts, which give him a diminished utility gain. George gains 900 units of utility with the first £100, since he can now indulge his tastes in champagne and caviar. With every additional £100, George's utility increases by 900 units, since he continues to indulge his appetite for champagne and caviar.

How would we distribute this money, using the criterion of utility maximisation, given this situation? Well, we give it all to George: the aggregate utility gain would be maximum - 9000 units – then. Since, “utilities of different people are summed up to get their aggregate merit, without paying attention to the distribution of that total over individuals,”<sup>15</sup> utility considerations would let Chang starve, rather than let George forego the consumption of champagne. This is, by any standard of human decency, clearly unacceptable.

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<sup>14</sup> Nabaneeta's welfare is considered high because of reasons similar to the ones in the note above. Feeding her husband is individually satisfying to her in that she thinks her role as a housewife is being fulfilled, but it also satisfies her welfare in terms of how she is judged by her role in the larger village community; she may gain more dignity as a result of keeping her husband healthy (dignity, in the sense of approbation from others in the village, which may further reinforce her personal utility satisfaction).

Social welfare can be thus differentiated from purely physical welfare. However, if one views welfare as only physical welfare, then both Pedro's and Nabaneeta's welfare would have to listed as 'low' in the table above.

<sup>15</sup> Sen (1999, p 59)

Bentham: Ah, but only under the conditions which you have conjured Mr. Sen. Reality is not a matter of conjecture.

Sen: I totally agree. But the inability to measure mental states, by itself, warrants such conjectures. Or we may have to abandon your theory completely. Even your most prodigious student conjectured when he said: it is better to be a Socrates dissatisfied, than a fool satisfied, did he not?<sup>16</sup>

Bentham: Psshaw...(that is all Bentham could say, when Samuelson interjected).

Samuelson: The “cardinalists” may let you get away with this paltry example, but you have yet to overcome the other manifestation of utility: revealed preference satisfaction. We may not be able to measure the mental states of people. But we can infer their preferences by the choices they make, which we do by observing their behaviour.

Using that case, we would not have to conjure up hypothetical examples and utility sums. Preferences reveal all! Given Chang’s condition if he could afford to buy food, he would buy and stop starving. And if George wants to eat caviar and drink champagne, he can do the same; let him make the choice.

Sen: That is all good Paul. We can have a formal debate about the merits of the revealed preference approach again, elsewhere. Given the confines of our example here, revealed preference theory may explain Chang’s behaviour by his choice due to his seemingly objective condition (starving) – he chooses to buy food when he can afford it (behaviour), because he is starving (objective condition). But what do we do if he cannot afford to buy food during famine?

Also, what about the case of Pedro and Nabaneeta, who reveal their preferences for fasting and under-nourishment respectively? According to your theory, they are both

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<sup>16</sup> Mill (1861).

hungry by choice, which reveals their preferences. That is the end of it. But surely Nabaneeta's choice is a product of social conditioning. This choice may not reflect her actual preferences. It surely does not increase her well-being, when well-being constitutes the achieved functioning of being well-fed. Her case differs from Pedro's conscious choice of fasting for religious purposes, for a limited time: he gains spiritual well-being, by foregoing food for a limited time period, which does not negate his well-being in the sense of being well-fed. If he is an overweight priest, it may even increase his well-being health-wise!

Samuelson: You have done more research on what happens during famines, so I'll leave it to you to prescribe policy options for what to do when ordinary people cannot afford to buy food during a famine.

But as to the latter case, differentiating Nabaneeta underfeeding herself because of social conditioning and Pedro's fasting as a case of conscious choice for religious purposes, is a subjective matter. Even your theory of capabilities – substantive freedoms – cannot state otherwise. Who decides which choices are products of social conditionings, and which are not?

Sen: That is precisely what I want economists to realise. That rather than think about distributional issues as scientific matters, which can be resolved by narrow metrics, we need a multi-dimensional approach. And this approach may – nay, must – involve subject value judgments.

But these judgments can be fair and just, if they are a product of due deliberation – public deliberation – within a specific culture, polity, society.<sup>17</sup>

Nozick: Aren't you being a fetishist here? After all, that is what you accused our friend here (point to Rawls, who has lost his voice) when he made a similar claim as to the critical nature of political liberties to pave the way for a liberal conception of justice.<sup>18</sup>

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<sup>17</sup> Sen (1999, Chapter 2 and 6).

Even if you do not agree with my claims about the almost absolute primacy of certain entitlements – a term which we both use in radically different ways – you are still stating that the primacy of political liberty – manifested in public deliberation, freedom of speech – is a prior condition for any just scheme to work out.

Sen: I realise that. But the difference between us lies in the fact that you assume that political liberties automatically guarantee personal advantages to individual human beings, while I do not make that claim. I state that the political advantage is there, but not the personal one.<sup>19</sup> That is how I limit my fetish for liberty.

Mill: Well, I have been pleased with Mr. Sen thus far. His approach seems to be provisional and adapts to changing circumstances. He grapples with most issues that we struggled with, and continue to struggle with. It may serve him well to continue focus attention on the “internal culture of the individual” and the “orderings of outward circumstances”<sup>20</sup> simultaneously. His theory, insofar as it is a theory, has some contradictions, just like all our theories; the question is will these contradictions prove fatal?<sup>21</sup> Time will tell, but we need to end our talk here. It is getting late; Minerva’s cuckoo heralds dusk!

[Rawls passed a note to Sen, which Sen mistook for a napkin given to wipe the “damnation latte” he had just spilt. Instead of reading it, Sen used it to wipe off the spilt coffee. Eklavya, a worker at the Café found it later. It said the following.]

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<sup>18</sup> Sen (1979).

<sup>19</sup> Sen (1999, Chapter 3).

<sup>20</sup> Mill (1873).

<sup>21</sup> One also needs to ask how effective have Sen’s own efforts been to falsify his theory; perhaps more needs to be done on that front.

### (III)

#### **Capabilities: good descriptions or descriptions that are good?**<sup>22</sup>

*Dear Amartya,*

Well, it seems that the capability approach relies on the fetishism of liberties as much as, if not more than, my primary goods approach. You have not been able to delineate the exact circumstance in which political liberties may be sacrificed. In-fact you need them as the legitimising basis for the exercise of valuing “substantive freedoms,” by stating that public deliberation best determines the outcome of such valuation.<sup>23</sup> You cannot skirt this issue by simply stating that liberties may not be able to increase an individual’s own *personal* advantage, while they increase his *political* advantage (your emphases, in Sen 1999, p 65).

On a more philosophical level, how do you expect to frame the distributional consequences of your evaluative approach, without providing any aggregate base for your theory of justice?<sup>24</sup> Any attempt at providing an aggregate base would require some inviolable metrics – like Nussbaum’s list of basic, intermediate and combined capabilities;<sup>25</sup> and some essentialism,<sup>26</sup> which make your theory Aristotelian in nature, and not quite in consonance with the modern project of liberalism.<sup>27</sup> Having decent skills in philosophy, I see a conflict here that is irreconcilable, and I would appreciate if you chose one side, like Nussbaum, instead of remaining ambivalent on this aspect.<sup>28</sup> Because otherwise, you will let incompetent people determine the future of your approach in ways that you hadn’t even imagined. You don’t want to end up, following Marx’s example,<sup>29</sup> saying: “Sen is not a capability theorist!”

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<sup>22</sup> This section relies heavily on Rawls (1999, 1998); Robeyns (2004b); and Pogge, T.

<sup>23</sup> Sen (1999, Chapters 2 and 6).

<sup>24</sup> Robeyns (2004a).

<sup>25</sup> Nussbaum (1988).

<sup>26</sup> Nussbaum (1992).

<sup>27</sup> Rawls (1988); Robeyns (2004b). Robeyns counters Rawls on this front.

<sup>28</sup> Sugden (1986, p 821). Sugden detects the essential *a priori* evaluation of what is good in Sen, which Sen seems to reject (Sen 1999, Chapter 3). Sen states his approach is open to various interpretations.

<sup>29</sup> It is claimed that Marx said: “I [Marx] am not a Marxist.”

And finally at a more concrete political level – in the sphere of policy-making – I cannot see how you can operationalise your approach.<sup>30</sup> The amount of information required for implementing the “freedoms based” approach would be tremendous – infinite in theory. Even if at a practical level this information could be reduced to manageable proportions, collecting this information would require resource expenditure. Could we not utilise these resources for more pressing needs? Do we wait to undertake an evaluation of conversion factors like “environmental diversities and variations in social climate” when a region has been hit by a severe drought and famine, or a tsunami? Or do we distribute food and aid on the basis of limited information? How is one to determine when to use what sort of information? How do policy-makers prioritise development concerns on the basis of your approach? Even Annapurna cannot make her choice on the basis of your “quality of life” approach<sup>31</sup> and broader informational base, so how do you expect Manmohan Singh<sup>32</sup> to arrive at a policy decision affecting the lives of a billion human beings?

Your evaluative framework of substantive freedoms – capabilities – is indeed a better description – more accurate in its estimate of people’s present well-being. But it is not always, nor in most cases, the best description to give – in terms of prioritising development concerns, spending resources under the assumption of scarcity, and in mitigating the ill-effects of disasters – for development.

I hope I am wrong in my assessment,

Best regards from a dumb – literally so today! – friend,  
John.

*[I too seem to have these Rawlsian doubts about your framework Prof. Sen. I hope my essay does not appear eristic in tone. My humble attempt, here, is to address some*

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<sup>30</sup> Sugden (1993); Pogge T; Srinivasan (1994).

<sup>31</sup> Sen (1999). Annapurna has to select one person to clear her garden among four candidates. Sen never tells her which of the four she would choose on the basis of his evaluation criteria. (See note 5 for specific reference).

<sup>32</sup> Prime Minister of India.

*pertinent issues in a dialectic manner. As you appreciate the Vedantas, I guess, you will view this attempt at dialogue somewhat favourably. Perhaps, we can all agree that you broke eggs but ended up without making an omelette;<sup>33</sup> your critiques of past theories are powerful, and the constructive alternative you propose is excellent in theoretical terms, but quite difficult, if not impossible, to implement practically. A good description, in this case, is not a description that is good to give.]*

#### (IV)

#### **Sen in a state of Zen**

Sen completed reading the essay submitted by Eklavya, a student in his economic philosophy course. He seemed intrigued by the dialogue format of the essay at first. But after reading the whole paper, he smiled. That smile could be most accurately described as epitomising a state of Zen (which would also be a good description to give of a man who has formulated one of the most extensive and “humane theories”<sup>34</sup> of our time).

In the comments section, Sen wrote: “I understand that breaking eggs does not necessarily make an omelette – exposing critical faults in past theories of justice like Utilitarianism, Libertarianism, Rawlsian primary goods approach, does not automatically ensure that my theory of capabilities is comprehensive, or without faults. I acknowledge that my approach may be relatively limited in evaluating practical problems.<sup>35</sup> But I find that expanding the informational base for evaluation helps throw a light on unwarrantedly neglected aspects ‘underdevelopment and development’ issues, and that my ‘general approach can be used in many different ways, depending on the context and on the information that is available.’<sup>36</sup> I may have ended up with scrambled eggs instead of an omelette – a provisional and open evaluative framework. But I have no regrets, I started out expecting that.<sup>37</sup> In-fact, I like scrambled eggs better than omelettes, so my achieved functioning is optimal!”

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<sup>33</sup> Quoted in Hannah Arendt (1994), *Essays in understanding 1930-1954*. Kohn, Jerome (ed). (New York: Harcourt, Brace & Co.)

<sup>34</sup> Sugden (1993).

<sup>35</sup> Sen (1999, p 86).

<sup>36</sup> Ibid.

<sup>37</sup> Sen (1979; Concluding Remarks, final paragraph).

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## Essay 3 (Response to 2b)

(by John Ssegendo)

### **1.0 Introduction**

Sen developed the Capability approach due to apparent weaknesses inherent in the earlier approaches to evaluating well-being. The Utilitarian approach is associated with a narrow focus on maximising pleasure and can be held to be indifferent on the distribution of happiness or desire fulfilment in the population. On the other hand, primary goods focus on income and opportunities, they neglect the conversion factors between resources and individual achievement and the freedom of individuals to live a life they choose to. Sen devised the Capability approach in light of the weaknesses he saw of the earlier approaches; an approach which centres on substantive freedom – to choose a life that one has reason to value (capabilities yielding a choice of actual functionings).

### **2.0 Basis of the Capability Approach**

#### **a) Weaknesses of Utilitarianism**

Utility in a classical form is defined as pleasure or happiness or satisfaction or anything that turns on these mental achievements. In modern forms of utilitarianism, it is seen not as pleasure or happiness but as fulfilment of desire or some kind of representation of a person's choice behaviour (Sen 1999). However utilitarianism is associated with several shortcomings. Most significantly, utilitarian calculus concentrates on total utility of everyone and is generally understood as ignoring inequalities in the distribution of happiness. Then the utility of individuals in general may be improving but with rising inequalities in the population which makes it an inappropriate evaluative space.

Similarly individuals do not necessarily choose goods that maximise their satisfaction or pleasure (because for instance of inadequate information); neither do they achieve utility independent of goods desired but out of reach. According to Sen (1985), individuals derive utility both from the range of options in the choice set as well as the

possibility to perform the act of choice themselves, and this tends to be neglected in the standard utilitarian calculus.

Utilitarianism even in its modern form doesn't solve the problem of indifference to freedoms, rights and liberties and other non utility concerns that is a characteristic of utilitarianism in general. Claims of rights and freedom are valued only indirectly and only to the extent to which they influence utilities. Also, our pleasure or desire taking abilities adjust to circumstances especially to make life bearable in adverse situations. For example the perennially oppressed minorities in intolerant communities and hopelessly subdued wives in severely sexist cultures come to terms with their deprivation because of the sheer necessity of survival, and they may, as a result, adjust their expectations to what they unambitiously see as unfeasible (Sen 1999). Utility calculus by focusing on pleasure alone would be unfair to these disadvantaged individuals who could be happy having adjusted to the lack of opportunity to lead a life they would like.

It is more practical to speak of freedom to become what one chooses to than aggregating happiness when there are problems of adaptive preferences. In this regard, failure to take into account individual rights and freedom produces a very limited informational base and this pervasive insensitivity is a limitation of utilitarian ethics.

### **b) Primary Goods**

Primary goods are general purpose means that help anyone to promote his/her ends and include rights, liberties, opportunities, income, wealth and the social bases of respect. Primary goods relate to the individual advantages in terms of opportunities the individual enjoys to pursue their respective objectives. The objectives are viewed as the individual "conceptions of the good" which would vary from person to person.

For example if given the same basket of goods, an individual ends up less happy say because of expensive tastes, then no injustice needs to be involved in this inequality in the utility space (Sen 1999). But though Rawls broadens the informational focus from just income to primary goods, the approach does not explore all important variations in the relationship between income and resources on one hand and wellbeing and freedom on the other. In as much as income and opportunities may be availed to people, there is

need to understand the conversion process, and the freedom individuals have to become what they choose to or actually become.

There are personal characteristics that govern the conversion of primary goods into a person's ability to promote her ends. It is this deficiency in Rawls' primary goods approach that provides the basis for Sen's capability approach with the emphasis on promoting freedom to choose....as the appropriate evaluative space.

### **c) Capability Approach**

Capability refers to alternative combinations of functionings that are feasible for one to achieve. The functionings reflect the various things that a person has value doing or being. Capability is therefore a kind of freedom: the substantive freedom to achieve alternative functioning combinations. The approach emphasises the need and role of freedom to choose; in a sense that while the combination of a person's functionings reflect his actual achievements, the capability set represents the freedom to achieve the alternative combinations from which a person can choose (Sen 1999, Robeyns 2004). Taking the example of food, this provides nutritious capacity which is converted into 'being well nourished' depending on the physical circumstances such as the metabolic rate and presence of parasites. The individual's capability includes then the freedom to either be well nourished' or to fast for religious reasons or to go to a hunger strike for another's sake (Sen 1985).

## **3.0. Problems that might arise in Making Capabilities the Evaluative Space**

### **Functionings, Capability and Capabilities**

There is an obscurity that surrounds the use of the three key terms in the capability approach. The use of these terms is sometimes overlapping and confusing. Capability has an everyday meaning: capacity, skill, ability, and attitude which Gasper (1997) has called the S-capability (S, for skill and substantive). This is what O'Neil (2000) relies on when she talks of 'capabilities for action', 'capacities for reason', commercial, cognitive and social capacities. Sen however takes on a more technical meaning of capability to mean: the set of life-paths attainable to a given person which Gasper (2002) calls O-capability (O for option or opportunity, 'option;' seems aptest and

suitably economic). While Sen dropped the term ‘capabilities approach’ in favour of ‘capability approach’, he still uses ‘capabilities’ in more everyday ways and when referring to sub-sets or particular attainable functionings in the capability set, or to the options to achieve them (Gasper 2002).

The word ‘capabilities’ comes in routine use to cover anything a person can do, be or have; in which case it loses distinctiveness. This situation leads to blurring between O and S capabilities, options and capacities; and capabilities and functionings. For example the 1996 Human Development Report speaks of ‘such capabilities as health, self respect, health, nutrition, seen as ends in themselves. In normal language, these are functionings (or in the case of knowledge, an S-capability) not opportunity sets in HDR’s own definition. Nussbaum (1990, 2000) distinguishes between O-capabilities which she calls ‘external capabilities’ and notes that S-capabilities are derived from ‘basic’ capabilities through training and learning.

Further still, the capability concept rests on the concept of ‘functioning’ that sounds like ‘activity’; doing, being, operating and disconcertingly, covers *outcome* of the activity. Functioning has varied meaning to include; an achieved state, an action to achieve it, internal body processes/ activities and activities consequent of the achieved state. Further still, the achieved state can have a concept of being a capability! (Gasper 2002). Given this ambiguity in meaning of the terms, the usefulness of the capability approach is somewhat undermined. In my view the capability approach is still evolving; the problem is that it has achieved more publicity and perhaps consequent rigidity than is required if any meaningful adjustments are to be made to improve its applicability now and more importantly in the future. There is therefore need for allowing scope for development and clarification.

### **Weighting Problems**

Sen (1999) notes that that the interpersonal comparisons of overall advantages also require “aggregation” over heterogenous components. The capability perspective is inescapably pluralist. First, there are different functionings, some are more important than others. Second, is the issue of what weight to attach to substantive freedom (the

capability set) vis-à-vis the actual achievement (the chosen functioning vector). There is no convergence over the weighting of capabilities, ranking and most arguably whether to have a list of capabilities that would guide evaluations. The problem is that emphasising the listing of capabilities runs one into the dilemma of restricting the freedom people have to choose a life that they value; which is the essence of the capability approach. However not having a listing of capabilities makes evaluation and comparison of capabilities in different societies difficult.

If we are to take the view that capabilities should be localised and specific, it would require that we think of a framework that would enable us to compare functionings across societies given the unprecedented interest in global inequality, without restricting the freedom individuals have to live a life they value.

#### **4.0 How Far I agree with Sen's Claim**

Sen has a broader conception of welfare than that considered by the other approaches combined which centred on people's incomes, preference satisfaction and opportunities. There are many aspects of people's welfare that cannot be reduced to market terms including their rights and freedoms which Sen incorporates in his approach. In as much as Rawls drew our attention to the need to consider not only income but also opportunities, Sen goes further to emphasize the need for conversion factors. I believe that having a theoretical opportunity does not necessarily guarantee one a choice of means towards an end that he esteems. Similarly the fact that people undergo different influences and are exposed to a market with information imperfections, people fare differently with the opportunities available to them, so I agree with Sen's critique of alternative theories.

As to his constructive theory, Sen considers freedom to choose a life one has reason to value at the centre of the approach. He also respects the value that people attach to their wellbeing. People ought to make a choice of a life they want to lead and this is more meaningful than income. Development is the process of enlarging human choices, declared the first Human Development Report (UNDP 1990) and several successors. In line with this, the capability approach advocates that we leave people able to decide for themselves.

The capability approach has a strong theoretical framework. It is clear that most of the work done on capabilities has concentrated on measuring functionings (what people actually are). For this is understandable given the fact that functionings can be measured unlike capabilities which are implied to a large extent. For evaluative purposes say of existing policies or programs, it is plausible that we focus on functionings. Capabilities are appropriate and relevant when applied to policy formulation and planning when we inquire from the people about a life they want to live and have reason to value.

The state can then make policy options that are in people's interest, extend the options and opportunities and the freedom to enable individuals pursue the means towards an end they desire. Functionings and capabilities are therefore complementary, so that once given interest in choice sets which reflects alternative functionings we can after some time evaluate what people over time have actually become. The capability approach in its current state is incomplete and as it evolves, ambiguities in the key concepts and problems associated with weighting of capabilities ought to be clarified. The approach remains a main step towards formulating the appropriate evaluative space of individual welfare and social states.

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### **III. Liberty and Equality**

*'A society that puts freedom first will, as a happy by-product, end up with both greater freedom and greater equality' (Friedman, M. and R.). 'A large measure of equality, so far from being inimical to liberty, is essential to it' (Tawney). Discuss what these writers mean by the terms 'equality' and 'freedom/liberty'. Analyse and comment on the relationships they see between these concepts. Is it possible to draw any moral about the requirements for a 'free' society?*

Essay 1

(by Mariah Mansvelt Beck)

Berlin’s “Four Essays on Liberty” introduces a discussion about public and private schools, which are more expensive and often have a higher level of education (Berlin 1969:1vi). Is this situation acceptable since the expense of private schools cannot be regarded as an obstacle if society provides everyone the opportunity to make enough money by, for example working harder or choosing a different profession? Or is this an obstacle and should the system therefore be altered to enhance equality of opportunity even though this would infringe upon some people’s liberty to choose?

These questions illustrate some of the dilemmas concerning the relationship between equality and liberty as discussed by philosophers and economists such as Tawney and the Friedmans.<sup>38</sup> An essential question that the differences between Tawney’s and the Friedmans’ equality and liberty beg is what actually constitutes freedom? Is someone free merely to the extent they can choose or should freedom imply the actual ability to act upon (some of) those choices? To understand their views and how they affect society a clear definition of their concepts of equality and liberty must be set out as I have done and will refer back to through out this essay, as the following:

<b>Liberty</b> <i>formal</i>	Ability to choose as one likes, without interfering with others ability to do so.
<b>Liberty</b> <i>principle</i>	Ability to do or refrain from doing definite things in regard to ones basic needs.
<b>Equality</b> <i>limited opp.</i>	Situation in which birth, nationality, colour, religion, and sex do not prevent people from achieving the positions in life they want and meet their talents.

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<sup>38</sup> Many other views of equality and liberty exist. For an (incomplete) overview consult the Stanford Encyclopaedia of Philosophy at <http://plato.stanford.edu/entries/>.

<b>Equality</b> <small>extended opp.</small>	Situation in which the above as well as class, economic, and social position do not prevent people from achieving the positions in life they want and meet their talents.
<b>Equality</b> <small>outcome</small>	Situation in which everyone has the same level of living and income.

## THE FRIEDMANS

**Liberty** formal (**or formal liberty**): The Friedman's define liberty (in my terms, liberty formal) as the ability to choose as one likes, to shape ones life in line with ones values, limited only by those choices acted upon that would limit others ability to do so (Friedmans 1980: 129-30). The Friedmans believe that society should aim to attain the highest level of liberty possible. Hence people should have as many potential alternatives to choose from as feasible.

**Equality** limited opp. **or (limited equality of opportunity)**: The Friedmans define equality as a type of equality of opportunity such that no arbitrary obstacles should prevent people from achieving those positions for which their talents fit them and for which their values lead them to seek. The Friedmans define 'arbitrary obstacles' as birth, nationality, colour, religion and sex. They do not consider class, economic, or social position to be an obstacle since a society that promotes liberty (liberty formal) enables people to overcome these conditions (Friedmans 1980:132-34). In this sense and in comparison to Tawney's definition of equality of opportunity the Friedmans employ a limited definition.

The Friedmans contrast equality limited opp. with equality of outcome (equality outcome), which implies that everyone should have the same level of living and income (Friedmans 1980: 134-40).

## **Liberty** formal and **Equality** limited opp.

The Friedmans argue that by increasing liberty formal a ‘happy by-product’ will be more equality limited opp.. They emphasize that a free society in the sense of liberty formal will be creating an environment characterized by mobility and diversity (Friedmans 1980:148-49). Liberty formal prevents people from arbitrarily suppressing others and enables people to pursue their own objectives within their ability. “It preserves the opportunity for today’s disadvantaged to become tomorrow’s privileged and, in the process, enables almost everyone, from top to bottom, to enjoy a fuller and richer life” (Friedmans 1980:149).

A society that puts equality outcome first, instead of liberty formal, will need government intervention or ‘force’ to implement measures needed to promote equality of outcome (Friedmans 1980: 135). Since, they argue, it is against human nature to voluntarily give away a portion of one’s income or assets to benefit strangers, some people will have an unequal share of power so as to impose these measures. This creates a situation in which these people could use their position to pursue their own interests. Hence a society that promotes equality outcome above liberty formal will end up with greater inequality and will infringe upon liberty formal since people will now no longer be able to live as they choose (Friedmans 1980:144-45).

The Friedmans’ analysis jumps from their preferred situation in which the promotion of liberty formal will create the ‘happy by-product’ equality limited opp., to the undesirable situation in which equality outcome is promoted to the detriment of both liberty formal and equality limited opp.. They do not consider anything in between their equality limited opp. and equality outcome or any type of liberty different from their liberty formal.

## **TAWNEY**

**Liberty** principle (or **principle liberty**): Tawney defines liberty as implying the ability to do or refrain from doing definite things. He is concerned with the basic needs (emphasising education, healthcare and security) and special needs (for example, for the disabled) that people should have access to (as discussed below in relation to equality

extended opp.).<sup>39</sup> To protect these basic needs Tawney emphasises the need of, what he refers to as, principle liberties (liberty principle). Liberty principle needs to be made accessible to all as formal liberties by means of laws, as well as usable so that people can exercise these liberties when needed. Principle liberties comprise the principles most states are based upon and include in their constitution (Tawney 1964:227).

In contrast, secondary liberties are less crucial and can be extended or restricted depending on the circumstances since “Enlargement of general liberty involves the curtailment of such particular [secondary] liberties as may conflict with it” (Tawney 1964:283).

**Equality extended opp. (or extended equality of opportunity):** Tawney’s definition of equality of opportunity is similar to that of the Friedmans but does consider class, economic, and social position to be actual obstacles that can limit or enhance an individual’s ability to act. He believes that in so far social arrangements can achieve it, everyone should have equal opportunity to enjoy a worthwhile life (Tawney 1964:122). To achieve this Tawney promotes a society that communally provides welfare services by pooling surplus resources by means of taxation (Tawney 1964:122). Tawney is not promoting a system in which a society’s national income is equally distributed between every member. People are inherently different in character and capacity. The aim should therefore not be for everyone to do or to receive the same but should be towards a system, which confers to each according to ones basic needs.

### **Liberty principle and Equality extended opp.**

Just as the Friedmans realise that liberty formal is an unattainable goal, Tawney realises that achieving absolute equality extended opp. is as well, but believes that society should aim to achieve the most equality extended opp. as possible. The more equality extended opp. in society, the more conditions are satisfied to provide usable freedoms, thus equality extended opp. promotes liberty principle (Tawney 1964:164).

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<sup>39</sup> As pointed out by Norman 1987 page 143.

Tawney realises that by promoting equality extended opp. some people's secondary liberties will be restricted. But supports this since more people will gain access to liberty principle that they previously only enjoyed in the form of formal liberty. A society that would not promote equality extended opp. as their main goal would promote inequality, according to Tawney, since mobility is inhibited in a society that enables some to have 'privileged' liberties and others to only have formal liberties. Such a situation intensifies inequalities and inhibits others access to their basic or special needs. Tawney therefore asserts that "A large measure of equality, so far from being inimical to liberty, is essential to it" (Tawney 1964:168).

## **The Friedmans and Tawney**

It may have appeared from the two quotations referred to in the title of this essay that Tawney and the Friedmans are discussing the same concepts but the above shows how both maintain distinct definitions of liberty and equality and the different implications they have on society. In response to the Friedman's system Tawney would reply that "freedom for the pike is death for the minnows" (Tawney 1964:164). And the Friedmans in response to Tawney's view might question who and how one could make distinctions between principle and secondary liberties without granting a group with an disproportionate amount of power. Thus, the Friedmans might reply that Tawney forgets that in their system 'all minnows can become a pike (which might however look more like a large minnow lacking the pike's predatory behaviour)'.

In response Tawney could remind the Friedmans that to promote liberty formal, they too have decided what interferes with someones liberty formal, hence protecting peoples right to liberty formal by means of government intervention. Using the Friedmans own words, "If some are denied access to particular positions in life for which they are qualified simply because of their ethnic background, colour, or religion that is an interference with their right to 'Life, Liberty and the pursuit of Happiness' (Friedmans 1980: 132), Tawney might ask how class, economic, or social position could not be considered interferences? The Friedmans assert that they can be overcome, but can they

in reality? Are they not essentially contrary to liberty *formal*, exactly what the Friedmans ideal society would put first?

## Returning to Berlin's initial discussion

How would their diverging views affect the education system? Tawney argues that equality *extended opp.* in the sphere of education means equal opportunity for everyone to develop his or her abilities to the fullest (Tawney 1964:122). Education can therefore play an important role in achieving complete equality *extended opp.* Tawney therefore supports a system that maintains a graduated taxation system, benefiting the poorest most by, for example providing them with equal opportunity to educate their children to the same extent as the rich (Tawney 1964: 234-35).

On the face of it the Friedmans would not claim to want to achieve anything significantly different. According to them, everyone should have equal opportunity to education and each parent should have the liberty *formal* to choose the type of school they prefer on basis of its quality and price (Friedmans 1980:156). For some this would mean that they might not be able to afford private education but this could be overcome by personal effort. Hence, Tawney's suggestion would be limiting some people's liberty in the Friedmans' perspective.<sup>40</sup>

Berlin asserts that it is permanent characteristic of human nature to have to choose and sacrifice some ultimate values for others (Berlin1969:1i). Tawney does this,

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<sup>40</sup> The Friedmans however, suggest a system in which parents that choose to send their children to private schools receive their tax payment back. They would have to spend this money on a registered private school (Friedmans 1980:168). The aim of the 'voucher system' is to increase all parents' control of the quality and price of their child's education. According to the Friedmans this system would benefit the poor most (in contrast to the rich whose relative situation would stay nearly the same). Most importantly, this type of system would increase the competition between public and private schools, as well as increase parents' direct control over their children's education, similar to that which people have who can afford private schools (Friedmans 1980:160-61).

This system does not prevent parents that can, to spend their money on their children's education (Friedmans 1980:168). According to the Friedmans "Even the very poorest can – and do – scrape up a few extra dollars to improve the quality of their children's schooling. We suspect add-ons would be about as frequent among the poor as among the rest, though perhaps in smaller amounts" (Friedman 1980:168). Critics reply that this system would not increase equality since rich parents could always add-on more to the voucher than the poor, so rich children would still be sent to more expensive schools (Coons and Sugarman in Friedmans 1980: 167).

sacrificing secondary liberties for the sake of achieving principle liberties, made usable by promoting equality *extended opp.* By promoting equality *limited opp.*, the Friedmans have implicitly chosen to only regard birth, nationality, colour, religion, and sex as characteristics that could and should not prevent people from achieving the positions in life their talents allow for and they choose, hence liberty *formal*. The Friedmans definition of liberty *formal* however, leaves room to argue that other characteristics should be taken into account, such as class, economic, and social position because they in effect interfere with some people's ability to choose, as critics have put forward in the education example. Hence, the Friedmans equality *limited opp.* can be argued to be in opposition with actual liberty *formal*. It is clear that the definitions of the type of liberty and equality that is going to be supported and protected in a society need to be unambiguous, to ensure that the two do not conflict with one another. And as Sen eloquently states and as this essay has illustrated, "Liberty is among the possible *fields of applications* of equality and equality is among the possible *patterns* of distribution of liberty"(Sen 1995:22-3).

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Essay 2  
(by Maryam Tanwir)

**Friedman**

To Friedman, human freedom and economic freedom work together. They are part of the same whole. The greatest threat to human and economic freedom is the concentration of power, in the hands of the government or anyone else.

To lend support to his case he refers to Adam Smith's argument in the 'Wealth of Nations' that the prices that emerge from voluntary transactions between buyers and sellers (a free market) could coordinate the activity of millions of people, each seeking its own interest, in such a way to make everyone better off. This invisible hand of Adam Smith is not merely restricted to economic activity, but can be extended to the social sphere where a sophisticated structure arises as an unintended consequence of individuals when they are cooperating while pursuing their own interests. Example can be the development of language. 'It developed in the same manner as the economic order develops through the market, out of voluntary interaction of individuals, in this case seeking to trade ideas or information of gossip rather than goods and services.'<sup>41</sup> Even scientific knowledge grew freely and not under any central dictates.

And therefore 'the whole becomes greater than the sum of the parts'. All leading to the maxim that free market mechanisms devoid of central planning and concentration of power are imperative for maximization of reward in any activity economic or otherwise.

So a society where individuals relish the idea of being free, there the government would have to take a secondary role. Friedman feels that the role of government should be inhibited to allow free trade and the law of comparative advantage to flourish.

With these assumptions in the background we explore Friedman's treatment of freedom and equality. According to him in the earlier decades of the republic, equality

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<sup>41</sup> Friedman, M and R. 1980. *Free to choose*, pp 25, Secker & Warburg, London

symbolized equality before God, and liberty referred to the liberty to shape one's own life. When the conflict of slavery was resolved after the civil war, equality came to be interpreted in terms of equality of opportunity, which meant that everyone should be allowed to use their capacities to pursue their own objectives. 'Neither equality before God nor equality of opportunity presented any conflict with liberty to shape one's own life. Equality and liberty were two faces of the same basic value-that every individual should be regarded as an end in himself'.<sup>42</sup>

Equality of opportunity, then like personal equality, is an integral part of liberty. 'Its real meaning is perhaps best expressed by the French expression: 'Une carrière ouverte aux talents- a career open to talents'. No arbitrary obstacles should prevent people from achieving those positions for which their talents fit them and which their values lead them to seek. Not birth, nationality, color, religion, sex, nor any other irrelevant characteristic should determine the opportunities that are open to a person- only his abilities.'<sup>43</sup>

Friedman contrasts this with a different meaning equality, equality of outcome. This dictates that everyone should end up with the same end-results, the same level of income. This equality of outcome, which is supported by government-imposed restrictions, according to Friedman is in clear conflict with liberty. All should win the same prize. "Fair shares for all" is the modern slogan that has replaced Karl Marx's, "To each according to his needs, from each according to his ability"<sup>44</sup>

This is where liberty and equality are not synonymous he feels. Since fairness is not an objective term, and there are decisions as to what's fair. Who will decide what is fair? Someone will have to decide, and impose their decisions on who has more than what is fair, take it from them and distribute it to who has less than their fair share. Also if people are to be given out evenly their fair shares, where are the shares to come from, and will that not eradicate the incentive to enterprise, innovate and produce?

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<sup>42</sup> Friedman, M and R. 1980. *Free to choose*, pp 128, Secker & Warburg, london

<sup>43</sup> Friedman, M and R. 1980. *Free to choose*, pp132, Secker & Warburg, london

<sup>44</sup> Friedman, M and R. 1980. *Free to choose*, pp 134, Secker & Warburg, london

Freidman expounds that Life is not fair. Governments attempt to rectify what nature has decided is a futile attempt. We must be cognizant that we also benefit from this same unfairness we try to rectify. There are some who are more special and talented. Should we deny them the right to maximize their talents in the attempt to clone everybody out of the same specimen?

Thus a society that forces equality of outcome on its citizens will deny them freedom. While if a society puts freedom first, without force, but with the aid of the free market, it will allow the individuals the freedom to pursue and capitalize on their goals, and will lead to prosperity.

Hayek here also agrees with Friedman ‘...the pursuit of one particular conception of justice is bound to lead to a highly collectivized and authoritarian state and hence is incompatible with personal freedom’ (Plant, 1984) he also views the market as a democratic and liberal medium for decision making, and as an efficient mechanism for balancing supply and demand. .... he argues against the egalitarian intervention by the government and feels that market outcomes should be left intact, and inequality should be accepted as it is based on specific conceptions of freedom and justice. Redistributive action by the government is interpreted as coercive intervention on the life of an individual.’

## **Tawney**

Tawney has a different outlook on the relationship between equality and liberty. For him ‘equality implies the deliberate acceptance of social restraints upon individual expansion. It involves the prevention of sensational extremes of wealth and power by public action for the public good’<sup>45</sup>. To Tawney if liberty implies that every individual is free to fully exercise all his powers without limit, if it is the power of the strong on the weak, then liberty is incompatible with equality. Law, to ensure that freedom of some is

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<sup>45</sup> Tawney, R.H 1964. *Equality*. GeorgeAllen & Unwin Ltd

not at the expense of slavery to others, must limit Liberty. As 'freedom for the pike is death for the minnows.'<sup>46</sup>

Tawney feels that in a society people have different roles; some have more power than others. There should be safeguards to check the possible abuse of this power. This should be provided by the state. Otherwise liberty will merely become the privilege of the stronger class, and will be out of bounds for the rest. For him freedom and the distribution of power have a strong relationship. The correct distribution would ensure equality.

While when liberty is interpreted as ensuring civil, political, economical rights to the weak, when it offers security to the weak from the strong, and gives a guarantee that the will of all shall be respected, then equality so far as being 'inimical to liberty, is essential to it'. Here one can perhaps also see a glimpse of utilitarian thinking on Tawney's part. The greatest amount of happiness for all. So even if freedom of the rich is decreased say by taxation, it will lead to increase in freedom of the poor, as it will allow them more freedom in opportunities by giving them better health, education, employment, standard of living, so their general level of happiness will increase.

Tawney defends his theory, which when attacked by writers who agree with Friedman that the pursuit of equality would kill the true essence of liberty, that man's achievements will be restricted and equality will be death by dilution. He questions whether increased equity in distribution necessarily obliterates 'the priceless heritage of freedom'? When ensuring freedom, whose freedom will you ensure? of the strong or of the weak? There is no freedom in the abstract, divorced from the realities of a particular time and place. And inevitably the decrease of inequality will lead to the increase of freedom for most. I would add to Tawney's argument one further point, have not also the liberties of the rich been enhanced by being in a society which allows all to have more opportunity and choices? Has not the redistribution of wealth allowed them to be a part of

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<sup>46</sup> Tawney, R.H 1964. *Equality*. GeorgeAllen & Unwin Ltd

a more liberal and just society? Does not the exercise of reducing inequality, add to their freedom?

### ***Comparison of the two thoughts***

Friedman and Tawney both believe that equality and freedom should be the essential fundamentals of the society. But they differ in their perception of the concepts. For Friedman equality of opportunity fits in with freedom, while equality of outcome and the concentration of powers in the hands of the government clashes with it

But this position is criticized by Berlin:

*“The fate of personal liberty during the reign of unfettered economic individualism—about the condition of the injured majority...a situation in which the enjoyment by the poor and the weak of legal rights.... Became an odious mockery.”<sup>47</sup>*

Tawney on the other hand also believes that equality of opportunity is imperative to freedom, but he concentrates more on the redistribution of income, which will increase the freedom of the poor but decrease the freedom of the rich. He feels that unbridled economic liberty provides ‘equal opportunities of becoming unequal’. They both view the equality of opportunity differently. To Friedman equality of opportunity entails removing of arbitrary obstacles, but he does not mention arbitrary advantages like inheritance, or the lack or a certain basic required level of income, whereas to Tawney a certain level of income is imperative to even start a debate for freedom. Both agree that there should not be arbitrary obstacles, but both don’t agree over their contents. Tawney argues that economic obstacles (e.g. Poverty) are as much major obstacles to freedom as Friedman’s arbitrary obstacles

And in Friedman’s scenario all are free to go to dine at the Ritz but can most afford to? All are entitled to a lawyer, in practice can they afford to? Friedman assumes

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<sup>47</sup> Berlin, *Four essays on liberty*, Oxford University Press. pp.152-53

that in the free market all start from the same platform, and then the free market enhances their opportunities, but they don't. There is a laborer and an entrepreneur, both at different levels; the free market will reward them disproportionately. The inequality will increase. As Will Durant comments: leave men free, and their natural inequalities will multiply almost geometrically. To check the growth of inequality, liberty must be sacrificed. Rawls also puts liberty first only after a certain minimum amount of liberties and well-being is secured for all.

Their contrasting positions can be summed up in this line; Tawney feels that not every body can avail the opportunity of going to the Ritz, while Friedman says that if there were no free market there would be no Ritz.

## ***Conclusion***

Neither of the authors gives perfect explanations. Both only discuss some aspects of freedom, tending to underestimate the possible conflicts between them. Yet its determinants are multiple and varied. As Berlin comments: 'to speak of freedom, as an end is much too general. It is more complex and painful. One freedom may abort another; one freedom may obstruct or fail to create conditions, which make other freedoms, ...or freedom for others possible. Positive and negative freedom may collide....'<sup>48</sup>

This suggests that it is hard to lay down requirements, since free is so vague and elusive.

Still considering a relatively free society, perhaps it does not emerge that the solution is any extreme offered by the two writers. If you push too far for equality, you lose out on some freedom; if you push too far for freedom you lose out on the freedom of the poor. Although I would tend to concur with Frankfurt's (1987) doctrine of sufficiency, "What is important from the moral point of view is not that everyone should

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<sup>48</sup> Berlin.I. 'Liberty' in *Four Essays on Liberty*. Oxford University Press.

have the same but that each should have enough. If everyone had enough, it would be of no moral consequence whether some had more than others. (Still, enough must allow as Tawney argues for genuine equality of opportunity)<sup>49</sup>. And I would agree with Berlin who suggests that ‘if a man is too poor or too ignorant or too feeble to make use of his legal rights, the liberty that these rights confer on him is nothing to him’<sup>50</sup>. Yet Friedman is right to stress that freedom at the minimum should be absence of tyranny and domination. This could bring forth a middle course, which could be a welfare state, which could offer a safety net complimented by the free market system.

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<sup>49</sup> ‘Equality’ in *The Stanford Encyclopedia of philosophy*. pp 18

<sup>50</sup> Berlin.I. ‘Liberty’ in *Four Essays on Liberty*. Oxford University press.

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#### **IV. Poverty**

*The assertion...that poverty is a value judgment...suffers from difficulties' (Sen). Consider possible links between the following statements and outline arguments that could be presented for each:*

- (i) judgments of poverty are theory-laden;*
- (ii) judgments of poverty are value-laden;*
- (iii) judgments of poverty can be judgments of fact.*

*Using your analysis, discuss the assertion that poverty is a value judgment.*

## Essay 1

(by Mariah Manvelt Beck)

It is debatable to what extent judgements can be regarded as theory-laden, value-laden or factual. This essay indicates that one of the main reasons for this debate is because many authors have not clearly defined their interpretation of theory, value or fact and have assumed definitions without discussing the implications of their specific use or how these concepts interact. This essay addresses several of these issues before examining to what extent theory, value and fact play a role in poverty judgements.

### **A narrow definition of fact**

In its narrow definition fact has been defined as pure sense datum (Popper 1959:423 & Putnam 2002:28). Based on this narrow definition both Popper (1959) and Myrdal (1958) have claimed that it is impossible to describe the world purely objectively. According to Popper, defining theory as a universal statement based on deductive logic, all facts are made expressible by our understanding of the world in the context of theories and expectations (Popper 1959:94). Popper thus claims that all facts and judgements are theory-laden.

Myrdal considers a scientific fact to be “a construction abstracted from a complex and interwoven reality by means of arbitrary definitions and classifications” (Myrdal 1958:153). In line with Popper, Myrdal asserts that these ‘definitions and classifications’ are guided by theories (Myrdal 1958:153-4). Myrdal however takes this a step further by claiming that the selection and systematisation of theories inherent to the process of constructing scientific facts is directed and given meaning to by an individual’s values (Myrdal 1958:54). Hence, Myrdal argues that all judgements, theories and concepts are inevitably value-laden (Myrdal 1958:1-2). According to this view, values are not necessarily moral or ethical, but are more broadly defined as to include all human ideals that give direction to our thoughts and significance to our inferences (Myrdal 1958:xiii).

Following this broad definition of value, it is difficult to distinguish a clear boundary between Popper and Myrdal’s claims. Myrdal assumes that to express a

scientific fact there always is a choice in theories to be made and that in choosing, values necessarily come into play. Popper does not ignore this decision-making process and asserts that the choice of theory is “decisively influenced by the application of the theory and the acceptance of the basic statements in connection with this application” (Popper 1959:109). He adds that “the testing of a theory depends upon basic statements whose acceptance or rejection, in its turn, depends upon our *decisions*,” explicitly stating that, “this choice is in part determined by considerations of utility” (Popper 1959:108). Unlike Myrdal, Popper does not claim that it necessarily follows that due to these decisions, theories themselves are value-laden. Moreover, many other philosophers, who limit the definition of value to moral or ethical human ideals, would disagree with Myrdal’s claim that every choice is inevitably value-laden.

There appears to be an agreement that based on the narrow definition of fact, facts and judgements are theory-laden in which a decision-making process is involved. Depending on ones definition of value it could be claimed that this process is necessarily value-laden. A more narrow definition however, leads to the conclusion that this process does not necessarily have to be value-laden in the sense of being driven by moral or ethical considerations. Furthermore, it should be pointed out that while facts can be value-laden that this does not imply that they are value judgements nor values themselves.

### **An expanded definition of fact**

The narrow, absolute definition of fact can be rejected and replaced with a more relative definition, which includes descriptions of reality described in light of a situation, time and place. These factual judgements are entangled with values, which can be regarded as truths in a particular culture, at a particular time and place (Putnam 2002:44). The extent that these facts are intertwined with values varies. A five-pound bank note and a promise made for example can both be regarded as facts in a particular culture, time and place. The extent to which values play a role in these facts differs. In the case of the five-pound bank note, the extent to which values are involved appears less than for example their role in determining the fact of a promise made. It can therefore be asserted

that following this expanded definition of fact, facts are to varying degrees value-laden. Moreover, one can arguably claim that theories and values in this sense can be fact-laden in direct contrast to Popper’s position, which is based on the assumption that theory pre-exists fact (Popper 1959:106 & Putnam 2002:137).

It is so far clear that theory, value and fact interact much more than often made explicit. How these concepts and their interaction, as discussed above, relate to judgements of poverty in specific is our next concern.

### Poverty judgements

Poverty judgements are descriptions dependent on a particular place, time and situation as well as on the definition of poverty. The definition of poverty is itself a relative concept with varying definitions. In the table below, several different definitions of poverty have been selected.

<b>Approach:</b>	<i>Basic Needs</i>	<i>Capability</i>	<i>Income</i>	<i>Human Development (measured by HPI-1)</i>	<i>Personal</i>
	<b>Theoretical</b>				<b>Personal</b>
<b>Poverty judgement described in terms of:</b>  <b>(informational base)</b>	Quantities of food, shelter, water and sanitation that are necessary to prevent ill health, under nourishment, etc.	Level of capability deprivation.	Level of income determined by poverty line.	The percentage of the population with access to health services and safe water, the percentage of children underweight and the percentage of adult literacy.	‘Lies in the eye of the beholder’ (Orschansky cited in Sen 1980:366).
<b>Poverty judgements show:</b>	Whether a person fails to fulfil their basic needs, which in themselves are a matter of debate.	Whether a person is capability deprived, which in itself is a matter of debate.	Whether a person is below a defined poverty line or the percentage of a population below it.	A percentage of a population below a threshold level in basic dimensions of human development.	What lies in the eye of the beholder.

\* Sen 1999:76-9 and www.undp.org

## Poverty Definitions

All ‘theoretical’ poverty judgements as laid out in the table above, are theory-laden since the descriptions of reality they provide must be interpreted in light of the theory they are based upon. All of these theories are to an extent value-laden. Values come into play while deciding how to distinguish the poor from the non-poor. In the case of the income and human development approach, the poverty line or percentage to make this distinction has to be decided upon. The basic needs and capability approach are based on more flexible informational bases that do not predetermine which basic needs or capabilities should be taken into account and to what extent. The basic needs tend to be relatively agreed upon, including food, shelter, water, sanitation facilities and education. Their weight and exact definition depends on the characteristics of the individuals and society. Basic capabilities are also relatively agreed upon and can be derived from the basic needs (amounting to such capabilities as health and freedom). More extensive capability sets tend to differ depending on the context and aims of the evaluation.<sup>51</sup>

The decisions of how to distinguish the poor from the non-poor and what basic needs or capabilities to include and how to weigh them are all essentially answered by the same question, namely ‘What do people need to live a decent life?’ In essence this question is itself value-laden (for example: what is decent?). Dasgupta (2004) however argues, that the answer is to a large extent a consensus. Most people would agree that humans need amongst other things; food, shelter and access to health care and education (Dasgupta 2004:43). The approaches essentially interpret the answer to this question differently. The income and human development approach attempt to do this by calculating these needs into an amount of income or percentage of a population with access to and command over certain things, which are deemed to be a fair representation

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<sup>51</sup> Many proponents argue that one of the capability approach’s main advantages is its all-inclusive informational base, which makes these necessary debates explicit concerning which capabilities to choose and how they should be weighed (Sen 1999:75).

of 'poorness'. The basic needs and capability approaches extend the informational basis in reply to this question and will vary between situation, time and place. In all of these approaches values necessarily play a part in the decision of where to draw the line between the poor and the non-poor. The degree to which the approaches are value-laden however, varies. When there is clear agreement on the basic needs of humans, these can be regarded as value-laden facts, varying in their degree of 'value-laden-ness'. The more debatable basic needs and capabilities can be regarded as more heavily value-laden, moving towards fact-laden values, with on the end of the spectrum subjective personal poverty judgements, which can be considered value judgements.

### **The choice between poverty definitions**

Inherent to making a poverty judgement is the decision-making process concerning which definition and essentially which theory, one chooses. This decision is primarily directed by one's objective(s) with regard to the poverty judgement. Essentially the approach is chosen that best represents the selection of reality one is attempting to make explicit. Hence, if a person wants to make a comparison between a number of countries' poverty levels, the income or human development approach may be the most appropriate. However, if someone is trying to obtain an extensive representation of poverty in a particular place, the capability approach may be chosen.<sup>52</sup> Hence these choices are not necessarily value driven.

### **Poverty judgements and values**

Are poverty judgements value-laden? Closely related, Sen (1980) asserts that poverty is not a value judgement since, as has been discussed above, value interests are not the sole possible motivation underlying selection involved in poverty description (Sen 1980:366). Moreover, Sen stresses that even if value interests were the only motivation,

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<sup>52</sup> These example decisions need not be the case. One of the reasons for such a choice may however, be driven by data limitations, which may facilitate the implementation of the income or human development approach and hamper that of the capability approach. Furthermore, it is arguable that to obtain certain interpersonal comparisons more simple approaches than the basic needs and capability approach are sufficient.

poverty description would only reflect socially held value judgements rather than be a value judgement themselves (Sen 1980:366).

This, however, does not directly answer the question whether poverty judgements are value-laden. From the preceding discussions it is clear that poverty judgements based on theoretical poverty definitions are theory-laden, since they must be interpreted in light of the chosen theory underlying the chosen approach. The chosen approach necessarily reflects socially held values and the following poverty judgement is therefore to varying degrees necessarily value-laden.

Additionally, poverty judgements can be made on the basis of personally motivated choices as Orshansky's aphorism puts "Poverty, like beauty, lies in the eyes of the beholder" (in Sen 1980:366). They can also be, as Sen (1980) assumes, based on both a prescriptive view of description as well as a subjective view of prescription, which would lead to poverty as a value judgement. Sen's interpretation of subjective valuation seems too narrow. Arguably these types of poverty judgements can (in)directly be influenced by the same theoretical considerations as discussed above, depending on the person. As previously asserted most people do agree that humans need certain things to live a 'decent life'. If one defines the situation in which a person lacks some of these basic needs as poverty, arguably many people would agree to an extent on the existence and content of the concept poverty.

In sum, this essay has shown how the assertion that "poverty is a value judgement" is misleading. Rather I would contend that poverty judgements are theory-laden as well as to varying degrees value-laden. Additionally, it has been contended that there is a high degree of agreement on the basic needs of people. It can therefore be asserted that poverty judgements are often to varying degrees based on value-laden facts.

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## **V. Preference, choice and self-interest**

*Amartya Sen is making a reasoned choice of a piece of fruit from a basket passed round at a dinner party. Filling in background circumstances as required, catalogue a range of bases on which his selection might be made and examine what role, if any, self-interest could be held to play in each of them. Do you think that there is a clear relationship between choice, preference and self-interest?*

## Essay 1

(by Mariah Mansvelt Beck)

Much of traditional economic theory centres on the idea of the rational economic agent acting according to his self-interest, aspiring to achieve the best set of preferences to maximise his welfare, which can be derived from his or her choices (Sen 1991:14). This essay will investigate whether such a clear relationship between self-interest, preference and choice actually exists, discussing some of the possible dilemmas by examining whether Sen would act in accordance to the rational economic man (or fool) at a dinner party.

### **COMMITMENT AND SYMPATHY**

Sen (1977) asserts that people can make choices that are not in one's self-interest. He refers to this as 'commitment'. Commitment refers to the situation in which an individual chooses an action for reasons of say, duty, even if **that** generates a lower anticipated welfare than an alternative action. The choice made can happen to maximise **the** individual's welfare. The individual would however, still make this choice even if it ceased to maximise his or her personal welfare (Sen 1977:326-7). In this case, as Sen asserts "a wedge" is driven "between personal choice and personal welfare, and much of traditional economic theory relies on the identity of the two" (Sen 1977:329). In the case of commitment preference, choice and self-interest do not correspond. In this case an individual's self-interest can not coincide with choice, as the choice made has not maximised the individual's welfare. Additionally, if one assumes that choice always reflects preference, than self-interest would not be reflected by either of these since the individual's choice/preference does not maximise his or her self-interest (Sen 1982:69). The term preference appears to be ambiguous, how this could possibly be resolved will be discussed later on.

Sen (1977) also, points out that other people's welfare levels can directly (positively) affect an individual's personal welfare. Hence 'self-sacrificing' behaviour is (partially) motivated by an individual's self-interest. Sen refers to this as 'sympathy' (Sen 1977:326). Arguably this type of behaviour is not necessarily purely motivated by self-

interest. The fact that an individual has taken others into consideration appears to allow for a degree of altruism and a lesser degree of pure self-interest (Collard 1978:7). These points can best be illustrated by an example.

#### **EXAMPLE**

Imagine Sen making a reasoned choice of a piece of fruit from a basket passed round at a dinner party. A number of circumstances could affect his choice. The menu over which the choice is being made could sway Sen's choice by, for example increasing the number of favoured fruits (Sen 1997:753). Sen's relationship and role with regard to the other guests could also influence his choice (Sen 1997:761). He might be more willing to choose the favoured piece of fruit if it was his birthday or might not if he was visiting people for the first time and was on his 'best behaviour'. The way the choice is presented could also influence Sen's choice, especially in the case where the host (and other guests) insists that Sen has the favoured piece of fruit (Sen:1997:747). Additionally, his knowledge of the other guest's preferences as well as his own preference or non-preference (indifference) could impact Sen's reasoned choice (Sen 1997:753). In this particular case, imagine that most of the fruit in the basket are regarded as ordinary fruit, like apples and bananas. There is however, one exception, a ripe mango, which most people would probably like best, including Sen. Hence, if Sen only took his own interest into account he would choose the mango. It is however, highly probable that Sen will not choose the mango.

There are a number of reasons why Sen partially motivated by self-interest, would not choose the mango. He might feel that leaving the mango for someone else's enjoyment would positively affect his own welfare. Thus he might choose to act out of sympathy for others (Sen 1999:270). Related to this choice could be Sen considering the fact that he might lose more from choosing the mango by feeling guilty about his choice (Sen 1997:748). Sen might also believe that choosing the mango would affect his reputation with regard to the other guests and/or he might be relying on his 'self-sacrificing' act to benefit him in the future, thus again acting out of a degree of self-

interest (Sen 1997:747, Hahn 1991:8). In addition, Sen could purposefully pass the basket of fruit on without making a choice, hoping that the others would choose the apples and bananas out of the same considerations he can think of, which would leave him with the mango. Sen refers to this move as ‘strategic nobility’ (Sen 1997:761-2).

Sen might also not choose the mango out of a sense of duty, moral considerations and/or acknowledgement of common norms (Sen 1977:748). It is however, questionable whether Sen acting out of these considerations would be acting out of commitment. If Sen could choose the mango without anyone else noticing, but would still choose not to due to, for example, a sense of duty he would be acting out of commitment. The presence of the other guests however, questions whether Sen could actually act out of pure commitment as a result of reputation effects. This may depend on the nature of the dinner party. One can imagine a set up in which the guests might not pay any attention to Sen’s choice. They might be too caught up in conversation and the setting might not be very intimate. The fact however, that Sen is deliberating so carefully suggests that the set up is a ‘noticing’ one. In this situation, it appears impossible to divorce reputation affects from commitment. Sen’s deliberation reinforces his acknowledgement of the situation and the impact his choice could have on the other guests. This suggests that his motivation not to choose the mango even if motivated by a sense of duty or recognition of a common norm (‘to never choose the best fruit as a guest’) must also be motivated by his recognition that by not acting this way he would cause the other guests to directly frown upon his behaviour, negatively affecting his reputation.

#### **A BALANCE BETWEEN SELF-INTEREST AND ALTRUISM**

It appears that in this example Sen’s behaviour is to a degree always motivated by self-interest or arguably by different types of self-interest. Self-interest tends to invoke a negative connotation, implying something similar to selfishness. This example however, indicates that it was more often than not, in Sen’s self-interest to take others’ welfare into account because of the affect theirs have on his own. Acknowledging this indicates how self-interest does not necessarily exclude altruism (Collard 1978:4-5). I would assert that

this type of 'altruistic self-interest' is inherent to human behaviour, because we are social beings and that it is exactly this type of behaviour that sustains society. One wonders whether it might even be possible to argue that altruism necessarily assumes a (small) degree of self-interest. This would reject the suggestion that commitment entails a non-sympathetic altruistic action, asserting that altruism inevitably implies a degree of sympathy.

A balance between ones narrow self-interest and altruistic self-interest appears important in social situations. If everyone would always act according to the interests of others, this would in the case of the fruit mean that no one would choose the mango. If people have acted out of sympathy, everyone would be left worse off since no one would gain from the anticipated benefits of allowing someone else to enjoy the mango. Where everyone shares the same subjective preference and acts out of sympathy it is essential that someone makes the purely self-interested choice. In a new social environment someone is therefore likely to intervene 'forcing' someone to choose the favoured choice. In Sen's case the host (and other guests) might insist he has the mango or it is imaginable that the last person may be left with only the mango and (apologetically) will eat it.

If however, everyone has acted out of a sense of duty or common norm ('never pick the favoured fruit as a guest') enforced by reputation effects or if everyone feels they would feel guilty picking the mango, it would not matter if no one ended up eating the mango. If anyone one of them did, they would be worried what the others would think of them for not following the same 'unwritten rule' or would feel guilty. This however changes if the last person choosing was left with the mango. The last person in the group acting out of a sense of duty or following some common norm would be best off since the others would know he was forced to make this choice (which they essentially forced upon him by making their choices) and would therefore seem to exclude the possible negative reputation effects. The last person in a group of people acting out of guilt could arguably be worse off, if he or she continues to feel guilty being the only one in the presence of others sharing the same subjective preference, eating the favoured mango.

The previous discussion does not sound very realistic or familiar based on personal experiences at dinner parties or other similar situations that occur on a daily basis. It seems unlikely that a group of people would be motivated by the exact same considerations and even more unlikely that they would be motivated by a single consideration. It therefore seems credible to conclude that in general people make choices in social situations on the basis of a wide variety of considerations. And that a reasoned choice process necessarily entails a process of weighing these considerations, eventually resulting in a choice.

### **DIFFERENT TYPES OF PREFERENCE**

By breaking the choice process down, one can identify how preference is sensitive to the choice process, allowing one to identify different types of preferences linked to different types of considerations (Sen 1997:745). In social situations, the majority of people generally do not choose their “subjective preference” or choose out of “narrow self-interest”.<sup>53</sup> Subjective preference refers to what an individual would choose without taking other people into account, acting purely out of “narrow self-interest”. Hence Sen’s subjective preference in the example above was choosing the mango. In a social situation it is in an individual’s self-interest to take a variety of considerations into account due to the fact that people are affected by other people’s reactions, welfare and/or future behaviour (Sen 1997:747). Sen would therefore be likely not to choose the mango himself out of reputation, sympathy and/or guilt considerations. **These** could be referred to as an individual’s “social preferences.” Additionally, a person could make “moral preferences” by acting out of commitment. This however, only seems to be the case in situations in which an individual can ‘free ride,’ free from any negative reputation affects. This implies that these cases can only entail public goods in impersonal situations (Sen 1977:330-1).

This leads one to conclude that whereas people are bound to one subjective preference and most likely one moral preference per individual choice preference, people

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<sup>53</sup> The following preference ranking was inspired by Sen’s discussion in Sen 1977:336-7. Subjective preferences is however, not defined the same way.

are likely to have multiple social preferences in social situations. All of these social preferences involve a degree of self-interest and altruism. In the example set, all of Sen's social considerations swayed in favour of not choosing the mango. It is possible to think of more difficult, ambiguous situations in which different social considerations might lead to different preferences. These would then have to be weighed against each other to reach a final choice.

In conclusion, it is clear that there is no clear relationship between self-interest, preference and choice. I have argued that where an individual can act on one choice from a set of alternatives in a social situation, he or she will have varying preferences according to different stages of the choice process linked to different considerations. These preferences vary on different levels of self-interest and most often include a degree of altruism (except in the case of subjective preferences). Generally, apart from in the exceptional case of commitment, people tend to choose an option that is at least partially motivated by self-interest as well as altruism.

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## Essay 2

(by Maryam Tanwir)

The classical thinkers have been seen as postulating that self-interest is the sole motive for all actions. You choose what you prefer; you prefer what you choose, as it augments your self interest. Amartya Sen differs from this argument. He postulates that people's actions are guided by a variety of motives, of which most have strong shades of self-interest, while some may be devoid of it. Choice and preference don't always coincide, sometimes you don't choose what you prefer, and forgo a potential gain to yourself.

He elaborates through an example. At a dinner party a basket of fruit is being passed around. You prefer a mango to an apple. But if you incorporate different circumstances you will not necessarily choose a mango. Some of the reasons for not choosing the mango will contain elements of self-interest while you may also choose not to opt for the mango for reasons that infer that you are not pursuing self-interest.

To catalogue a range of bases on which a selection from the fruit basket might be made: The basket contains multiples of both fruit. There are a number of people present. Most have the same preference as you. Since the number of mangoes is more than one you choose what you prefer, your self-interest being directly served as you pick the mango.

Or: There is only one mango and many people, but the hostess insists that you take the mango: here the value of the mango has not been tarnished by the price of rudeness, you gladly pick the mango, you choose what you prefer, and serve your self-interest.

Or: If there are a number of people present with only one mango and the rest apples and you don't know their preference, you still choose the mango, as the elements of sympathy and commitment cannot be introduced, due to lack of information.

Or: If there is only one apple and one mango with only two people remaining at the dinner party and both of you prefer the mango to the apple, the number of possible actions will be:

1. You take the mango- you choose what you prefer, directly serving your self-interest. You choose the mango but it now has a decreased value. The other person might regard you as rude, greedy; you risk your reputation by being seen as the fruit grabber. Your self-interest is served here, but only partially as you now pay a price of rudeness by choosing the mango.
2. You don't choose the mango. You don't choose the mango due to sympathy. You care about the other person and seeing his pleasure at attaining the mango makes you happy. Here when you don't choose what you prefer you still serve your self-interest as the outcome results in augmenting your self-interest.
3. You participate in a game concerning strategic nobility. You pass the basket to your dinner partner, and hope that his decision is based on sympathy, that he will choose the less preferred fruit and pass on the mango to you. Here though you may look gracious in passing on the basket without picking the fruit, in reality you can be seen as serving your self-interest by hoping that you will have the opportunity of attaining the guilt free mango.
4. You forgo the mango and pass it on to your dinner partner as your reputation is of more consequence than attaining the mango. Here again you are serving your self-interest by not choosing what you prefer, as it is important to you that you are viewed as a gracious and considerate person by society.
5. Another reason would be guilt. You feel that your greed is unacceptable and you feel guilty about pursuing such an impolite action. The situation is complex here. If your guilt is more overwhelming than the pleasure attained at eating the mango then you are pursuing a larger degree of self-interest. If pleasure from eating the mango is more than the prospective guilt then there can be seen a glimmer of commitment in the guilt, because you feel it is the right thing to give it up. So then you pursue a lesser degree of self-interest.

6. Convention rule following can be another reason as postulated by Sen. “Where one is simply following an established rule of ‘proper behavior’, rather than being influenced by direct welfare effects, or by reputation effects, or even by any self-conscious ethics”<sup>54</sup>. Here if you are following the norms because you feel uncomfortable about being out of step, here the ‘feel comfortable’ feeling can replace the guilt discussed earlier, then you are following your self-interest. But you may also do the action automatically, without weighing the pros and the cons. The situation regarding the degree of prevalence of self-interest is complex here.
7. The least shade of self-interest is prevalent when the decision to pass on the mango is based on commitment. Without being overwhelmed by potential guilt, you think it is not morally right to grab the last mango, at the cost of depriving others. This is where the departure from self interest takes place, Sen postulates. You feel that it is your duty to sacrifice enjoying the mango, in order to be a part of a society that puts the interest of others before their own. Your commitment in this case is only serving your own self interest to the degree that it is ‘your’ commitment, except for that there is an element of self-sacrifice present, when you don’t choose what you prefer.

### **Relationship between choice, preference and self-interest**

This is the crux of the debate. Is self-interest being served in every action or are there sometimes other reasons for choosing an action. Is commitment also a part of serving your self-interest as it produces the ‘feel good’ feeling?

Are all actions motivated by self-interest? From Darwin’s theory of evolution we can borrow the dictate that self-interest is paramount for survival. So the struggle of the primitive man to survive might well be based on self-interest. It was the survival of the fittest. He had to constantly adapt to the changing environment to ensure his survival. His primitive instinct might then be governed by self-interest; it was a battle of him against the environment. But now when man has instead of adapting to the environment, has

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<sup>54</sup> Sen., 1997.

altered the environment to suit his survival, he now has the luxury of decreasing threats to his survival. He now has fashioned a society where self-interest is no longer the only paramount dictate. We now have social relations in terms of a fellow human being, a citizen, a parent, a spouse, a teacher, a philanthropist, where self-interest is no longer the prime governing feature in choosing an action, even if we have a preference for it, otherwise how do you explain the prevalence of self-interest in the following actions?

1. A man dives in to save a child from drowning in the river. He is alone at the moment; there is no one present to applaud him a hero, so no self-interest is being served. He dives instinctively, immediately without weighing the pros and cons of how he will live with the guilt if he does not jump to save the child. In this action he is apparently not serving his self-interest. It is an action based on commitment, where there is no direct connection between the chosen act and self-interest.
2. A married man who is unhappy with his wife, and is in love with other women does not indulge in an affair, even if having the guarantee that the wife will be unable to find out, is committed to his principles. This is self-sacrifice on his part where the action chosen is not one, which he prefers and does not serve his self-interest. (The true judge of commitment is how you would act if you were sure that you would never be caught!)
3. Hausman and McPherson recount an experiment in which wallets containing cash and identification were left in the streets of New York. Nearly half were returned to the owners intact, despite the trouble and expense of doing so to their discoverer.(Hausman and McPherson, 1996, p.58). The effort expended and apparently unselfish behavior demonstrated by those who returned the lost goods, as Hausman and McPherson assert, reflect a manifest commitment to societal norms over egoistic desires. Many researches have found the same phenomena (Dawes and Thaler, 1998, Elster, 1990, Frank 1988).<sup>55</sup>
4. Another example where self-interest and commitment can part ways is manifested in the relationship between a parent and a child. Where a parent can sacrifice his

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<sup>55</sup> Charles K. Wilber, 'Economics and Ethics' for the *Elgar Handbook to Economic Methodology* (eds) John B. Davis, D. Wade Hands and Uskali Maki

own self-interest for the interest of the child. Thought the debate is hard to resolve whether the parent realizes his/her interest through the child.

An interesting contribution to the notion of commitment and how it negates self-interest is made by Elias L khalil in his paper ‘sentimental fools: a critique of Amartya Sen’s notion of commitment’. He recognizes the complexity of commitment and tries to solve it without appealing to the ‘multiple self view’ proposed by Sen<sup>56</sup>. He does so by ‘distinguishing two kinds of commitment and explains how each relates differently to interest—a necessary distinction to discern admirable acts from sentimental foolishness.’

He explains the difference between the two types through examples. If one is impressed by the creative art involved in French cooking and takes on the commitment to try to become the best chef in the city. This would incorporate ‘non-binding’ commitment. It entails a promise that cannot be obligatory as the agent is uncertain if he can fulfill it. Non-binding commitment is about ambition, it bolsters welfare. On the other hand ‘binding commitment’ would entail the commitment which he makes to only use fresh ingredients, not cheat, be honest. Here the agent is sure that he can fulfill his commitment. Here his ability is not in doubt; the reason behind his commitment is therefore to counter the opportunistic gain, which would arise from cheating. This can diminish his material welfare. Another example would be: while the ability to climb a mountain is contingent on an uncertain ability and hence is non-binding, the commitment to rebuff bribes is not contingent on ability and is binding. Sen does not distinguish between the two types of commitment, but lumps them together, and opposes both of them to self-interest. His postulate that commitment negates self-interest makes sense only if he talks about binding commitment, non-binding on the contrary can augment self-interest.

The problem is that authors may confuse the two kinds of commitment. This leads them to separate commitment from interest. This separation entails that the agent is

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<sup>56</sup> The multiple self approach treats non-binding commitment as not different from binding commitment .

constituted of multiple selves, which makes it impossible, as Khalil concludes ‘to distinguish sentimental fools from rational sentimentalists’.<sup>57</sup>

## **Conclusion.**

Is there always a clear link between choice, preference and self-interest? The answer has to be no.

You may choose an action, which you don’t prefer (addiction, weak will, against your principles, self imposed choice constraints, strategic nobility etc), Sometimes our choices can be mistaken due to misinformation or expectations may prove to be wrong. We also make choices on principles and not for gain as we may choose due to binding commitment, which may undermine our self-interest.

Maybe the major constraint in solely seeking our self-interest would lie in the fact that as rational individuals our tendency to maximize our material welfare at the expense of others is inhibited by a deeply ingrained set of moral values.

This is all true if self-interest will allude to all the meanings we understand by the word but will not contain the ‘feel good’ after feeling<sup>58</sup>. For if you include that feeling then one can argue that there is absolutely no action devoid of self interest and one is augmenting his self-interest in every action.

I would like to add here that there are various manifestations of self-interest. There are so many complexities involved in just choosing a piece of fruit from the basket; other decisions in life are so much more complex. Where the choices, the preferences, the consequences and degree’s of self-interest are uncertain and difficult to classify.

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<sup>57</sup> Elias L. Khalil, ‘Sentimental fools: A critique of Amartya Sen’s notion of commitment’

<sup>58</sup> The feel good after feeling you achieve after committing a benevolent act, or an act based on commitment.

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## Essay 3

(by John Ssegendo)

### **Bases for Selection**

#### **Sympathy**

Our conception of self interest may include our concern for others and sympathy may thus be incorporated with in the notion of a person's own wellbeing. For example, presented with a basket containing a mango and several apples, Amartya's preference might be the mango to apples, but he may choose an apple due to sympathy for his neighbour's welfare. His neighbour would be happier if he is given the opportunity to choose a mango over an apple. Amartya Sense would in this situation opt for an alternative to his preferred option, if making his neighbour happy would improve his own welfare. Other regarding choice on basis of sympathy can thus be motivated on the basis of self interest after all.

#### **Commitment**

Amartya may choose a smaller piece of fruit, and pass on bigger ones, or an apple instead of a (preferred) mango which though at a person cost, could be merely out of a sense of duty or responsibility to other members at the dinner party. Amartya could be willing to make such a sacrifice to his personal welfare not for selfish reasons but due to strong values about the welfare of other members at the dinner party and therefore not merely sympathy to his neighbours at the dinner party.

Such a choice based on commitment, though not based on self interest should still be regarded a reasoned choice since as observed by Sen (1999: 271): "...even though committed behaviour may or may not be conducive to the promotion of one's personal advantage (or wellbeing), such a pursuit need not involve a denial of a person's rational will".

Similarly, Amartya may just wish to act *responsibly* owing to the fact that he is participating in picking a piece of fruit passed around at a dinner party, which act carries

*obligations*. His choice behaviour may therefore be invoked by either a sense of duty or anticipated enjoyment from participating in picking a piece of fruit; or of both.

### **Conventional Rule Following**

Amartya's selection of an apple instead of a 'preferred' mango "may be simply following an established rule of "proper behaviour" (as the on-going norm), rather than by being influenced by direct welfare effects, or by reputation, or even any self-consciousness ethics (Sen 1997). Selection on this basis is not out of self interest but one in my view influenced by commitment to wider society values and norms of behaviour. As summarised by Sen (1997:751).

*"herd behaviour" not only has epistemic effects of learning from others' choices (or being deluded by them....) but can be linked with the possibility that joining a "herd" makes the choices less assertive and perspicuous".*

Hence Amartya may make a choice based largely on 'just' following rules.

### **Reputation and Indirect Effects**

Amartya may make a choice that is just convenient to 'save his face' and anticipate to profit in the future from having the reputation of being a considerable person who does not grab the last mango from the fruit basket. The motivation to keep his reputation may therefore hinder Amartya from making a choice that directly maximises his welfare. In my view making a choice with the aim of benefiting in future from having a good reputation is largely underpinned by self interest.

### **Chooser Dependence**

The chooser dependence of preference helps to illustrate the role of comprehensive description of choice processes and outcomes at culmination. The bases of choice are quite complex, and their rationality cannot be understood from merely focusing on people's preferences. The influence of chooser dependence on choice is illustrated by Sen (1997: 747):

*".....you may prefer mangoes to apples, but refuse to pick the last mango from the fruit basket, and yet be very pleased if someone else were to "force" that last mango on you....."*

Inferring from the quotation, Amartya may be glad to have the last mango in the basket if someone else made the choice that resulted into Amartya having the mango. This anticipation that someone else's choice results into an improvement in Amartya's welfare is motivated by self interest. He lives with an anticipation that someone else will act in away that will improve or affect his own wellbeing.

### **Social Commitments and Moral Imperatives**

Amartya may just not think it morally "right" to grab the last mango from the fruit basket, that as Sen (1997) puts it "cutting others out" and such moral sentiments could be implicitly followed or only implicitly obeyed. In this particular instance I don't think he is necessarily following self interest but as noted could be implicitly obeying moral sentiments about picking fruits which remains a reasoned choice.

### **Direct welfare effects.**

Amartya's wellbeing may be affected directly by the process of selection for example by how other people at the dinner party interpret his behaviour—were he to pick the only mango from the fruit basket, or a big sized fruit out of several small ones. In this context, Amartya's choice behaviour would be influenced by self interest but his selection need to be comprehensively understood in the context of the choice processes and their effects not only the culmination effects of picking or not picking a preferred mango. Here I consider self interest to play a crucial role in his choice act.

### **Menu Dependence**

Amartya's choice may be dependent on the *set of available options* so that:

*"if the set of available options is expanded ....containing two mangoes and two apples, person i may have no difficulty in choosing a mango since that still leaves the next person with a choice over the two fruits" (Sen 1997:752).*

Under this basis, questions of self interest versus commitment or reputation need not arise. Amartya chooses merely because the menu allows a set of alternatives from which he can choose and he needs not to suffer any choice constraints. However there are other reasons for menu dependence such as the *value and autonomy of decisions*. There may be instances that even when Amartya has a set of options, he may be constrained by

the set over which he can “exercise choice”—the freedom he has to actually make the choice. In which case there may be an extra welfare bonus in being so free to choose. Amartya therefore may not primarily choose so as to suit himself (self interest) but may choose because of an exogenous factor—one of whether he feels free or not to choose a piece of fruit he likes.

*The level of knowledge* Amartya has about the fruit menu might be another basis for his selection. If say it is announced that several rounds of fruit baskets will be served, Amartya may pick an apple instead of a mango in anticipation that another set of fruits will be passed around and then he will then pick a mango. Under such a case this has little to do with self interest, it is largely about having or not having the relevant information that determines Amartya’s selection. In other words, the role of self interest in choice selection here is secondary while that of knowledge about the menu is salient.

As Sen argues:

*“.....when the option set (or the menu) S is given, the nature of the menu can influence the ranking of the alternatives.....and this relationship is of immediate relevance in understanding and predicting choice behaviour (Sen 1997: 755).*

### **Strategic Nobility**

The influence roles and acts of choice have on what is chosen can be strategically significant and one’s choice strategy has to take adequate note of the dependency of people’s actual choice on their exact roles. One consequence of this is that one can serve self interest better through behaving more “nobly” and by handing over the choice to others. Strategic nobility is illustrated with “the fruit passing game” (See Sen 1997: 762). Drawing implications from this game, Amartya at a dinner party may not follow his preference but make choices basing on norms or rules of behaviour related to choice roles “that exclude the picking of the last fruit except after the other person has already got a fruit” (Sen 1997:762).

He may opt for options that are permissible though not preferred. We would expect him to behave in this way if he anticipates that other people picking the fruit at the dinner party will be “responsible enough” and follow the norms. This choice act does not exclude self interest, but it is clear that Amartya would rather follow established norms

first and only anticipate that if other people reciprocate and thus follow the rules too, he would still be able to satisfy his self interest—and be the one to pick the last piece of fruit or the only mango out of a set of several apples.

### **Relationship between Choice, preference and self-interest?**

There is a relationship but not a clear or consistent one. There are instances where one's preference is directly related to one's self interest and a choice made is based on this consistency. But there are only a few of such instances. In some respects the choice act follows the self interest, but not one's preference for instance in instances where one is acting out of sympathy for others. When making a choice based on sympathy, one's intention is not to maximise his direct welfare since he does not choose his "preferred" alternative, but is interested in enhancing the welfare of other people which indirectly culminates in enhancement of the individual's own welfare. There are also cases when the three are not related. For instance where one is acting out of duty, or norms or rules of behaviour what they choose may not be what is preferred or may not even be out of their self interest.

Therefore our preferences are not menu independent as is standardly assumed in the traditional theory of preference and choice. It is important to recognise that people often choose alternatives that are permissible though not preferred. In my view the definition of preference needs to be adjusted to incorporate behavioural constraints of "norms" and "rules". Taken in the traditional way, preference may fail not only to reflect acts sympathy though based on self interest as argued above, but more importantly fails to account for choices made on the principle of duty, those based on "norms" and "rules" of behaviour, commitment among others.

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## Essay 4

### CHOICE FRUITS AND FRUITY CHOICES

*Using a hypothetical example of Prof. Sense's fruit choice, to catalogue reasonable selection bases, to determine the relation between choice, preference and self-interest*

In this essay, I use a hypothetical example of a certain Prof. Amartya Sense's fruit choice, to catalogue reasonable selection bases, including self-interest, which may explain human choice. Later, I discuss the relation between choice, preference and self-interest.<sup>59</sup>

#### (I)

##### **Fruit choice and fruity choices**

The example here illustrates Prof. Sense's choices at various dinner parties, in two settings. The first is Shantiniketan, where Sense spent his childhood. The other is Trinity College, where Sense served as Master. These two different settings are used to highlight: the importance of an individual's social position and how it may influence their choice; and, the fact that preference orderings may change over time.

Choice tables below provide information about how Sense chooses from a fruit basket passed around during dinner.

'Preference orderings' reveal the order of Sense's fruit preference: M (Mango), B (Banana), O (Other fruits), P (PASS). Pass is always an option in the bundle, though this is not explicitly stated.

'Setting' indicates the backdrop of the dinner party Sense is attending (i.e. in Shantiniketan and Trinity College). 'Bundle' indicates the number and kind of fruits in the basket. 'Position' indicates Sense's seat on the table, by his turn to receive the fruit basket.

'Choice' indicates the actual choice made. In the example, only one fruit can be chosen. Hoarding is not an option. In setting 1, once a choice is made (including 'pass')

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<sup>59</sup> Sen (1973) discusses the relation of 'preference' to welfare and choice.

that choice is final. In setting 2, after the first pass, Sense is allowed to choose again, and the latter decision is final.

**Table 1: Dinner parties in Shantiniketan**

**Preference order: M>B>O>PASS**

<b>Setting: Child, in Shantiniketan</b>	<b>Bundle (Menu)</b>	<b>Position</b>	<b>Choice</b>
1.1	B,M	Second last	M
1.2	B,M1,M2	Second last	M1/M2
1.3	B,M,O	Third last	O
1.4	B,M,O	Second last	B
1.5	B,M	Third last	PASS

**Table 2: Dinner parties in Trinity College<sup>60</sup>**

**Preference order: B>O>M>PASS<sup>61</sup>**

<b>Setting: Master of Trinity</b>	<b>Bundle (Menu)</b>	<b>Position</b>	<b>Choice</b>
2.1	B,M,O	First	B
2.2	B,M1,M2	First (/third)	PASS/B
2.3	B,M1,M2	First (/third)	PASS/M
2.4	B,M,O	First	O
2.5	B,M,O	First	PASS/PASS

**Sense gone bananas?**

Given Sense’s choices above, based on assigned preference orderings, it would be impossible for a revealed preference approach (RPA) theorist to qualify Sense as a rational economic person (REP). Because, according to RPA, a rational economic person would make a choice based on their preference orderings, which optimise their personal welfare (calculated on the basis of self-interest). Sense’s choices above would make the

<sup>60</sup> Return passing allowed once between Master – i.e. if Master Sense has not already chosen his fruit - and person who receives the basket from him.

<sup>61</sup> After having too many mangoes, Sense developed a taste aversion of sorts for mangoes. Hence his preference orderings changed.

RPA theorist conclude that they were observing a person ‘who had gone bananas’ – someone mad to the bone – and not one of their most distinguished brethren (Sense is a Nobel prize winning economist).

The RPA theorist can be shown that he was indeed mistaken when he pronounced judgement on Sense, as “having gone bananas,” if one goes beyond self-interest optimisation as the sole criterion for rationality. The following tables provide various reasonable selection bases, including self-interest, to explain Sense’s choices above. It is important to note that none of Sense’s choices are purely irrational (in the sense of non-reasoned, or due to ignorance).

**Table 1.2: Sense’s selection bases (Shantiniketan)**

<b>Setting: Child, in Shantiniketan</b>	<b>Choice</b>	<b>Selection base</b>	<b>Explanation</b>
1.1	M	Self-interest	Self-interested optimisation.
1.2	M1/M2	Commitment <sup>62</sup> /Self- interest	Tagore teaches Sense that consideration for others is the mark of a civilised Indian. One may like mangoes, but since most Indians like mangoes it is important that we consider other’s preferences before grabbing the last mango during dinner. <sup>63</sup>
1.3	O	Commitment /Guilt	Tagore is watching Sense choose, and Sense knows it. Perhaps the choice Sense makes is out of an internalisation of Tagore’s teaching or Sense feels guilty of disappointing Tagore by choosing the only mango in the basket. (Sense does not know the preferences of the last two remaining guests at dinner).
1.4	B	Commitment	Tagore is not watching, and yet Sense chooses the banana, because he knows that the person next to him prefers mango over

<sup>62</sup> Sen (1977;1997;1999).

<sup>63</sup> Note the confusion here (between commitment and self-interest) reflects the kind of bundle available. If there was only one mango, we would know whether Sense’s choice was based on commitment or self-interest.

			banana. Sense has definitely made his choice on the basis of commitment here.
1.5	PASS	Sympathy (+menu dependence) <sup>64</sup>	Two starving kids rescued from a neighbouring, famine hit, village sit next to Sense. He decides to pass out of sympathy for their condition: seeing them eat fruit makes Sense feel satisfied. Note this is a menu-dependent choice too, since if there was one more fruit in the basket Sense may have taken chosen a fruit instead of passing.

**Table 2.2: Sense's selection bases (Trinity College)**

<b>Setting: Trinity Master</b>	<b>Choice</b>	<b>Selection base</b>	<b>Explanation</b>
2.1	B	Self-interest	Self-interest optimisation.
2.2	PASS/B	Strategic nobility (self-interest; chooser dependence)	Sense and his guest Jim Wolfensohn sit next to each other. Both prefer bananas most. They know each other's preferences, and Trinity rules of conduct. Since Sense does not want to appear a bad host, he decides to put Jim in a spot. He passes the fruit basket to Jim who can: pass and forgo eating fruit, appear as a banana grabber himself, or choose one of the two mangoes. He decides to choose the mango, and passes the basket to Sense. Sense then takes the banana, since he does not know the preference of the person next to him (who is not Jim), and optimises his self-interest via strategic nobility. This is also a case of chooser dependence as Sense's choice is affected by Jim's choice. <sup>65</sup>
2.3	PASS/M	Suckered! (self-interest; chooser)	This time Sense's guest is a fellow from Robinson, JGM. Both prefer bananas to any other fruit. They know each other's preferences and Trinity norms. Sense tries to repeat his strategic nobility tactic. He

<sup>64</sup> Sen (1997).

<sup>65</sup> Chooser dependence is interpreted broadly. If my choice is dependent on the choice of another person, this may constitute chooser dependence as well. Sense's choice to pass the basket, is based on what he expects Jim's choice to be. The ultimate outcome of what fruit Sense gets is conditional on Jim's choice; hence, 'chooser dependence.' Also, refer Sen (1997).

		dependence)	passes the fruit basket to JGM. JGM knows about strategic nobility. She feels less fidelity to Trinity norms. So, she chooses the banana with a coy, albeit knowing, smile and passes the basket back to Sense. Sense is suckered – strategic nobility misfired!—as he now has to take a mango. <sup>66</sup>
2.4	O	Commitment	Sense decides to honour a bright Trinity student (say Mr. T) sitting next to him, by choosing another fruit and asking Mr. T to take the one banana in the fruit basket. Sense’s behaviour can be seen as an expression of commitment – he has a responsibility to recognise and honour bright students as he is Master.
2.5	PASS / PASS	Self-interest	Sense has consumed a lot of food and wine, and can handle no more. This is in his self-interest, because eating fruit would make him sick the next day.

The various selection bases – self-interest, commitment, sympathy, strategic nobility, guilt – listed above, document that human choice can be motivated by several reasons; reasons, which include self-interest.

In the example above, one can clearly see that choice depends on the context: the rules/norms of the environment under which choice is exercised; the options available in the bundle (menu); the consideration about how is the choice made and who is making the choice (see strategic nobility above); all these factors matter. The question one needs to answer now is whether the inclusion of selection bases other than self-interest in mainstream economic theory are justified – i.e. does such an inclusion increase the explanatory and predictive power of economic theory?<sup>67</sup> Or, are RPA theorists justified in viewing human choice as motivated mostly by self-interest/personal welfare optimisation revealed by preferences?

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<sup>66</sup> But the choice is still one motivated by self-interest, since that was what prompted Sense to use strategic nobility to begin with.

<sup>67</sup> Hahn (1991).

## (II)

### **Strategic nobility, sympathy, and commitment: why all this matters...**

Do we choose what we prefer? The work of another Nobel prize winning economist (a real one, in this case), Prof. Amartya Sen, may help us answer this question in light of the example above.

The selection bases of strategic nobility and sympathy show that individuals may optimise their welfare without making a choice based on their preference orderings. In the case of strategic nobility, the initial choice is deliberately not the one that is most preferred according to preference orderings. And yet, because of prevailing rules and norms, one may end up optimising one's welfare and self-interest in the end.<sup>68</sup>

Similarly, in the case of sympathy, one may actually optimise welfare by choosing their least favoured preference, according to the preference orderings scheme.<sup>69</sup> Sympathy considerations make the final outcome (despite the non-preferred choice), such that one is most well-off. Through sympathy and strategic nobility, Sen shows that there are selection bases that may be able to optimise personal welfare – i.e. they are 'rational' choices in the RPA sense of 'rational' – and yet these bases may not be the ones most preferred. In other words, what one chooses may not be what one prefers. Despite this one might increase one's welfare!

Sen acknowledges that both sympathy and strategic nobility can be incorporated under RPA because they still end up optimising welfare. His most potent criticism of RPA is based on the concept of commitment. Sen shows that via commitment individuals may knowingly choose an outcome, or expected outcome, which does not optimise their welfare.

Behaviour based on commitment, thus, robs preference of its most useful function: as a relation between choice and self-interest. Observing one's choice will no

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<sup>68</sup> Of course, this may not be the case every time; see table 2.2, outcome 2.3.

<sup>69</sup> Sen (1977; 1997).

longer yield neat preference orderings, which correspond to one's welfare. Individual choice, like Sense's in the example above, may not optimise individual welfare, nor is choice always based on preference orderings. Sen questions the prudence of using preference relations to explain human choice on the sole basis of welfare optimisation. If committed choice is based on considerations other than welfare optimisation, and we know this to be the case not only via hypothetical examples, but with real life cases, like worker motivation in Japan,<sup>70</sup> then are economists justified in continuing their use of REP? The answer weakens the whole basis for achieving Pareto-optimality based on unlimited competition. Sense's seemingly fruity choices for choice fruits appear, in light of Sen's work, to have shaken the very foundations of RPA.

Perhaps, the relation between preference, choice and self-interest may not be as robust and secure as RPA theorists think it is. It may indeed be more prudent to include more selection bases in economic analysis, and make REP a reasonable person, in addition to being purely rational.<sup>71</sup> How one will achieve this, and what defences RPA theorists may come up with for REP,<sup>72</sup> one cannot determine here. One thing is certain: the debate regarding the relation between choice, preference and self-interest, and the viability of REP, with or without commitment, is not going to RIP (rest in peace) for a long while.<sup>73</sup> And, like many critical debates in economics, it promises to bear substantive fruit on future research and practices within the discipline.

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<sup>70</sup> Sen (1994;1997).

<sup>71</sup> In the sense of rational, as welfare optimiser (calculated on the basis of self-interest).

<sup>72</sup> Hahn (1991) for one such defence.

<sup>73</sup> Meeks, Gay Tulip. Refer lecture notes for REP/RIP use.

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## **VI. Irrationality and rationality – Keynes**

*‘We should not conclude from [my analysis of the state of long-term expectation] that everything depends on waves of irrational psychology’ (Keynes). Why not? Is the balance Keynes seeks to strike between powerful irrational factors and the endeavours of ‘our rational selves’ an uneasy one?*

## Essay 1

### THE ECONOMIC CONSEQUENCES OF MR. KEYNES: DOES RATIONALITY EQUAL ABSURDITY, DUE TO UNCERTAINTY, IN THE DISMAL SCIENCE?

#### (I)

#### **Why bother about uncertainty in economics?<sup>74</sup>**

My task, in this essay, is to determine whether the balance Keynes tries to strike between irrational factors and the endeavours of ‘our rational selves’ is tenable, given the fact of uncertainty about the future and the need for action.<sup>75</sup> In order to make this determination, I need to first illustrate why, according to Keynes, uncertainty matters in economics. After all, why should we bother about uncertainty when prominent economists before Keynes seemed to pay little attention to it?

The answer, I believe, lies in the end that Keynes sought.<sup>76</sup> Keynes seems to have devoted most, if not all, his work to solving the economic problem, as it related to absolute human needs.<sup>77</sup> The rate of economic development – economic progress – would establish how soon the solution to the problem of basic human needs could be brought about.<sup>78</sup> This rate of economic development depends on one basic *economic* factor: how fast capital accumulation takes place.<sup>79</sup> Because capital goods can help increase productivity of scarce resources to satiate absolute human needs – which are,

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<sup>74</sup> Uncertainty, according to Keynes, is different from improbability. It is critical to be clear about his usage of these terms. For him, the terms “*certain* and *probable* describe the various degrees of rational belief about a proposition which different amounts of knowledge authorise us to entertain” (Keynes 1921, p 3). Also refer, Runde (1990); Weintraub (1975).

Probability, while it is subjective and can be non-numeric, can still be fixed objectively: “when the facts are given which determine our knowledge, what is probable or improbable in these circumstances has been fixed objectively, and is independent of our opinion” (p 4).

Risk assessments would need to be based on probabilities which have been quantified, and these are different from uncertainty. (See Chapter 3, Keynes 1921 for more details).

There is no scientific basis for determining uncertainty or quantifying it; it is simply unknown.

<sup>75</sup> Question set by Dr. Gay Meeks.

Most of my work here benefits from references to works listed in the selected bibliography below. Critical understanding of Keynes’ views on uncertainty was provided by Meeks (1991), and relentless discussions with a friend – Neil Tseng – whose formal training in finance helped me understand Keynes’ concerns better, and enabled me to try to evaluate Keynes on his own terms. I let the reader judge how far I have been successful in this task.

<sup>76</sup> Keynes (1931); Keynes (1936).

<sup>77</sup> Keynes (1931). “Absolute human needs are absolute in the sense that we feel them whatever the situation of our fellow human beings may be” (p 365). An example would be subsistence needs like that of minimum food in-take.

<sup>78</sup> Keynes (1931); also Keynes (1936): after all, why bother with full employment – which is what the general theory is about – if the goal is not to reach an aspired level of economic productivity as soon as possible?

<sup>79</sup> Non-economic factors like war, population growth, and scientific/technical progress play an important role, but the purely economic factor is singular: capital accumulation. (Keynes 1931, p 361-363, 373).

according to Keynes, limited – and best reduce the amount of relative human needs<sup>80</sup> – which are, by nature, unlimited.

Capital accumulation depends on long-term investments. Long-term investment decisions are, by definition, wrought by future expectations. And, the future is uncertain.<sup>81</sup> Thus, if the economic problem of absolute human needs is to be solved at the earliest possible, it is essential that the ill-effects of uncertainty be mitigated and its benefits compounded. So that one can attain the optimum level of long-term investment needed to ensure appropriate amounts of capital accumulation.<sup>82</sup> That is why we need to bother about uncertainty.

## (II) Keynes' keen observations

Given the fact of uncertainty and the need for human action – Keynes implicitly discounts the option of not doing anything at all in the face of uncertainty as unviable and unworthy – Keynes arrives at a very different conception of *homo economicus*<sup>83</sup> and the workings of the economy.

Gone is the characterisation of *homo economicus* as a perfectly calculative, profit maximising agent, in the short and long term. While in the short-run, one may be able to behave in this manner, how can one maximise profits in the long-run, Keynes asks, when it is impossible to determine scientifically what the future will entail? *When* there is no *scale* of quantification, *what* is one going to maximise?

But, is it not fair to ask whether the future is actually uncertain to the degree Keynes assumes it to be? Or is it merely risky? Can we not attach numerical probabilities to the price of a building or that of a ton of copper thirty years hence? Keynes proves the uncertainty inherent in the future by pointing to the preposterous – according to Classical

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<sup>80</sup> Relative human needs are needs that “we feel only if their satisfaction lifts us above, makes us feel superior to, our fellows” (Keynes 1931, p 365).

<sup>81</sup> Future is used for long-term in this essay, unless specified otherwise.

<sup>82</sup> The rate of interest and the marginal efficiency of capital are also important factors in this process, but for Keynes, uncertainty seems most crucial. (Keynes, 1936, Chapter 12; Keynes 1937, p 217-218).

<sup>83</sup> Economic man; who is presumed to have a perfect understanding of his self-interest, which is calculated rationally by using complete information. Man, here, is used in the sense of human individual, as opposed to “monkey” as Meeks (1991) puts it!

theory<sup>84</sup> – behaviour of individuals who hoard their wealth in money. If there were no uncertainty about the future, why would anyone save their wealth in “barren” money, when “every other form of storing wealth yields some interest or profit”?<sup>85</sup> The only reasonable explanation is that uncertainty creates the conditions whereby one cannot know with sound confidence what the outcome of one’s investments in loans or capital assets might be, and the existing rate of interest and marginal efficiency of capital do not compensate for this uncertainty. One begins to discern a measure of in-confidence in *homo economicus*.

Keynes’ characterisation of the rational economic agent seems to reflect this less confident economic man. His *homo economicus* is not a confident, calculative maximiser, but one who develops face-saving techniques, which serve as a compromise between uncertainty and human action, to resolve the economic problem of absolute needs in the long-run. These techniques try to discount uncertainty in human affairs and base calculations for the future on currently available information. Keynes tabulates them as follows:

1. “We assume the present is a much more serviceable guide to the future than a candid examination of past experience would [have shown]...”
2. We assume the existing state of opinion as expressed in prices and the character of existing output is based on a correct summing up of future prospects...
3. Knowing that our individual judgment is worthless, we endeavour to fall back on the judgment of the rest of the world, which is perhaps better informed. That is we endeavour to conform with the behavior of the majority or the average. The psychology of a society of individuals each of whom is endeavouring to copy the others leads to what we may strictly term a conventional judgment.” (Keynes 1937, p 214)

From a calculative, profit maximising agent, who had complete information of all his affairs, *homo economicus* seems to now adhere (paradoxically) to the dictum: *eventus stultorum magister!* Perhaps, economic man is not rational after all. But Keynes does

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<sup>84</sup> Classical theory, in this essay (keeping with Keynes’ usage), means the theory of the followers of Ricardo; Classical economists are then, followers of Ricardo. (Keynes, 1937, Chapter 1).

This is arguable, but since this paper analyses Keynes’ work, I feel it is prudent to follow his classification of ‘Classical economists’.

<sup>85</sup> Keynes (1937) p 215-216; and Keynes (1936), Chapter 12. (A formal term, in Keynes’ writings, for hoarding wealth in money is liquidity preference).

not go that far. For him, given the facts of the situation and the limits to our knowledge of the future, it seems okay to invest substantial degrees of rational beliefs in long-term investment decisions, on the basis of these techniques.<sup>86</sup>

The “flimsy foundation” for these techniques, however, makes long-term investment susceptible to “sudden and violent changes.”<sup>87</sup> What is worse is that not only does one have to calculate the prospective yield of capital assets on the basis of how well current prices and output factor in uncertainty, but one also needs to take into account how others view uncertainty as well (given technique 3): uncertainty about the future, plus how others perceive this uncertainty about the future, *both* have to be taken into account while making a long-term investment decision.

When one accords more importance to the latter aspect – how others perceive uncertainty – and tries to make profits solely on that basis, one engages in speculation, according to Keynes.<sup>88</sup> He opposes speculation to enterprise, which tries to calculate the prospective yield of capital assets.<sup>89</sup> If one is to mitigate the ill-effects of uncertainty, then one needs to have more enterprise and less speculation; Keynes assumes that the former will help attain the goal of resolving the fundamental economic problem of satisfying absolute human needs sooner, and more effectively, than the latter.<sup>90</sup>

In order to undertake a long-term investment decision, however, one needs to engage one’s “animal spirits” because mathematical calculations will not yield such decisions, due to uncertainty.<sup>91</sup> Thus, if one tries to counter speculative activity, one risks countering enterprising activity as well, since both rely on animal spirits; everyone may end up hoarding their wealth in money and deprive all investment – for capital and consumption expenditure – which would be counterproductive to the development of the economy as a whole.

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<sup>86</sup> See note 1 on probability. Also, Keynes (1936; 1937).

<sup>87</sup> Keynes (1937) p 214-215; Keynes 1936, Chapter 12.

<sup>88</sup> Keynes 1936, Chapter 12.

<sup>89</sup> Ibid.

<sup>90</sup> Ibid.

<sup>91</sup> Ibid.

So, given the face-saving techniques, with flimsy foundations, of rational economic man, and the precarious nature of enterprising and speculative activity, how does one ensure steady long-term investments for capital accumulation? For Keynes the answer lies in the State's capacity to generate such investment, along-side that of individual entrepreneurs and speculators.<sup>92</sup> The State would provide stability of effective demand<sup>93</sup> and thereby lend more stability to the whole process of capital accumulation.

**(III)**  
**Ideas of defunct economists: dangerous for good and evil?<sup>94</sup>**

Having “lent [Keynes] our ears” it is time to “censure [him] in our wisdom.”<sup>95</sup> One needs to evaluate whether the balance that Keynes strikes between rationality and irrationality is tenable. The first question that arises is how justified is the basis for defining uncertainty and probability as Keynes does? Specifically, who is to determine the objective probability relation once the given facts have been determined?<sup>96</sup> What may be a matter of probability for Mr. Keynes may be a matter of uncertainty for Mr. Churchill, who is right? Also, do superior skills in identifying objective probability relations because of higher subjective skills and education, entitle a person to have more voice in economic, and even political, decisions? After all, if the goal is to secure maximum capital accumulation, or undertake the best political decisions, at the earliest possible, why not discriminate among citizens – in terms of access to political office, economic and financial positions – on the basis of skills in probability determination? Is it not rational to do so, given that individuals with such skills are better able to determine the valid degree of knowledge that authorises general rational belief given the facts of the situation?

While the first question raises issues of considerable concern, both practical – is democratic politics a viable option? – and theoretical – how far can one stretch the definition of rationality? – the following concern about the “face-saving” techniques of

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<sup>92</sup> Ibid. Other factors that mitigate future uncertainty are included in Sections VII (end) and VIII (beginning) in Chapter 12.

<sup>93</sup> Meeks (1991).

<sup>94</sup> Keynes 1936, Chapter 24.

<sup>95</sup> Shakespeare, *Julius Caesar*.

<sup>96</sup> Dr. Meeks pointed this out as a factor in Kahneman's discussion. Keynes is also aware of this, though he downplays its significance; refer Keynes (1921) p 18-19.

rational, economic men seems even more troubling. If most significant decisions about economic affairs are going to be based on *conventional* judgements, since perfect certainty is seldom possible, how can one ensure that these judgements will be reasonable and legitimate?<sup>97</sup> Slavery was supported by conventional judgement in economic affairs as a rational mode of production. Does that mean that it was legitimate and reasonable? Keynes might answer that new relevant evidence increased the weight of the argument<sup>98</sup> that led to the weakening of the probability of rational belief in slavery, and that changed conventional judgements about it. But one is still left asking how long does it take to recognise these changes in relevant evidence; who recognises the changes in the weight of arguments; how does the recognition lead to changes in conventional judgements? Isn't the flimsy foundation for rationality under uncertainty absurd now: is it not no foundation at all?

The compromise between rationality and irrationality seems to reduce itself to a farce and either one must let rationality in the Classical sense prevail or have no rationality at all.<sup>99</sup> If one accepts the security of Keynes' compromise, one needs to evaluate his prescriptions to create a better version of the compromise with enterprise superseding speculation. As Keynes was aware, this is not an easy task: destroying the animal spirits of one may destroy those of the other. But even more critical for us is the assumption that Keynes makes. Without any proof, he seems to be stating that uncertainty regarding prospective yield of capital assets (which enterprise tries to overcome), is better than uncertainty regarding the prospective yield *plus* uncertainty regarding how others view this yield (which speculation tries to take advantage of). Yet, I cannot accept this at face value: there may not be an additive relation of uncertainty in the latter; speculation may actually be able reduce the ill-effects of uncertainty and attain a better rate of capital accumulation than enterprise could, unless proven otherwise.

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<sup>97</sup> Keynes (1936).

<sup>98</sup> Relevant, weight and evidence have precise meanings in Keynes. See Runde (1990); Keynes (1921).

<sup>99</sup> Coddington (1982).

One also has no reason, *a priori*, to believe that the State will actually ensure stable effective demand for capital accumulation in socially beneficial projects.<sup>100</sup> Private foundations may be able to do this as effectively, if not more, because of their functional specialisation in most cases (as opposed to the States' general concerns).

Despite all these reservations, I do not think that Keynes' compromise actually fails; nor do I believe that he is a defunct economist whose ideas are dangerous for good or evil. Rather it seems that his ideas are powerful for progressive change. Why? Because of three main reasons.

First, one cannot be blind to the fact that there is no certainty in the long-term. Going back to the idea of *homo economicus* as sketched by the Classical economists would do disservice to the discipline of economics, in terms of its predictive and explanatory powers for the 'real' world.<sup>101</sup> Keynes' model of compromise between rational and irrational factors, though not perfect, still provides a plausible alternative to the Classical *homo economicus*.

Second, we are now endowed with levels of abundance in wealth and prosperity, whereby we can actually try to provide higher education to all human beings, (if this wealth is distributed in the conducive manner), to enable them to process information in a sophisticated manner. If information access is democratised and universal higher education made a reality, then one can reasonably expect a large majority of the population to discern objective probability relations, making conventional judgements a close approximate to possible direct knowledge, or the best possible indirect knowledge.<sup>102</sup>

And finally, the key lesson of Keynes' approach is that one needs to be cautious in one's decisions about future endeavours. Individuals under Classical economics may have been less cautious because they seemed certain of their infallibility, which is a

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<sup>100</sup> As Keynes does (Keynes 1936; Chapter 12).

<sup>101</sup> Refer Herbert Simon's 1978 Nobel Lecture. Available at: <http://nobelprize.org/economics/laureates/1978/simon-lecture.html>

<sup>102</sup> Keynes uses these terms – direct and indirect knowledge – specifically; for definitions see Keynes (1921) Chapter 1 and 2.

gullible notion – certain or not. In the field of economic development Keynes’ moral recommendation that a “smaller but relatively certain good is better than a greater but proportionately more uncertain good” has proved itself.<sup>103</sup> The success of micro-enterprises is in marked contrast to the disasters unleashed by huge projects like dams. There are several other similar instances in development economics. Realising Keynes’ precept regarding moral risk earlier may have actualised his prophecy of solving the fundamental economic problem, of absolute human needs, for the entire human race by now.<sup>104</sup> We still have sometime left though, so let me not talk in the past tense; rather let us have hope for the future.

#### (IV)

#### **Keynes’ legacy: lending appeal, not absurdity, to the dismal science**

The economic consequence of Mr. Keynes then – his legacy to the discipline – is not one where the dismal science is rendered absurd by considerations of uncertainty. It is rather one characterised by the possibility of creating a better science of economics, where economists do not gloss over difficulties but are courageous enough to take real challenges head on – as Keynes illustrated by example. His ‘general theory’ tried to calculate how best to arrive at a full employment of resources given uncertainty. It was ambitious, – how else can one characterise an economic theory that makes all substantive economics before it, its ‘special case’? – and motivated by good: end the fundamental economic problem of absolute human needs.

Keynes’ compromise between rational and irrational factors tried to address the philosophic problem of how best to accommodate change, which is inherent in the human condition,<sup>105</sup> with stability. He did not seek to transform human nature, but rather sought

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<sup>103</sup> Keynes (1921) p 353. This moral recommendation has also proved itself in politics and the disasters of Nazi and Bolshevik totalitarianism.

<sup>104</sup> Keynes (1931).

Though of course, one may challenge that small development projects may slow down the rate of progress. This in turn may aggravate the economic problem instead of alleviating it. Would it not be better to start a continent-wide HIV/AIDS eradication programme rather than have limited village level projects for the same purpose? It is crucial to keep these issues in mind.

<sup>105</sup> Arendt (1998).

to better the human condition, through that compromise. In doing so, he gave us the model of a cautious human individual, who – given uncertainty about the future and limited information – is moderate and humble in her outlook; this outlook is welcome in an age characterised by hubris and recklessness, or worse, sheer mediocrity and cowardice.

The humble and moderate outlook presented by Keynes, helps open the possibility of art in economics; it liberates the dismal science from the shackles of iron laws. This is not to say that everything is up for grabs. But certain possibilities remain, which are not subject to statistical laws, or mathematical equations: these are the possibilities of exercising the faculty of human judgement which is artful; possibilities that enable an economist to “shoot for the moon.”<sup>106</sup> A contemporary distinguished practitioner of economics puts it best:

*For me, probabilistic thinking has long been a highly conscious process. I imagine the mind as a virtual legal pad, with the factors involved in a decision gathered, weighed, and totalled up. To describe probabilistic thinking this way does not, however, mean that it can be reduced to a mathematical formula, with the best decision jumping automatically off a legal pad. Sound decisions are based on identifying relevant variables and attaching probabilities to each of them. That’s an analytic process that also involves subjective judgements. **The ultimate decision then reflects all of this input but also instinct, experience, and ‘feel’**” (Rubin, 2003, p xi).*

Keynes would, most probably, agree.

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<sup>106</sup> Pigou on Keynes’ *General Theory*, quoted in Skidelsky (2004).

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## VII. Happiness

*'Happiness...can be measured' (Layard). How convincing is Layard's recent argument that advances in scientific measurement techniques now defeat the claim that problems in assessing happiness mean it cannot function effectively as the social maximand?*

## Essay 1

(by Maryam Tanwir)

### **Introduction**

Bentham postulated ‘The greatest happiness for the greatest number’ principle as the aim of life. But Bentham and most subsequent moral philosophers have reconciled themselves to the fact that measurement and interpersonal comparisons of happiness between individuals is not achievable.

*‘Bentham’s initial optimism ....was qualified by his later remark that “intensity is not susceptible of precise expression (1843: Vol. IV, 542). He was indeed acutely aware of some of the key problems in measuring utility. He also explained the obstacle of adding individual utilities to arrive at a social sum, writing that ‘tis in vain to talk of adding quantities which after addition will continue distinct as they were before, one man’s happiness will never be another man’s happiness. (Bentham in Halevy, 1901: vol, III, 481)<sup>107</sup>*

But recently Richard Layard in his book, *Happiness: Lessons from a new science*, has traced back to Bentham and has declared that happiness can be measured. His method of measurement is through evidence collected in surveys. We ask people how happy they are, and we then ask their friends and observers to authenticate the answers. (He claims people tell the truth in these surveys). He substantiates this method of measuring happiness through Neuro-science. The method entails taking measurements of the electrical activity in the left and right part of the lobe. According to Richard Davidson at the University of Wisconsin there is an area in the left front of the brain, which is the storeroom of happy feelings, and a similar area in the right front where unhappy feelings are experienced. Happiness when experienced by people is reflected in these brain areas. Happy people are more active in the left lobe, and unhappy people are active in the right lobe. So he concludes that happiness is a real objective phenomenon, an objective dimension of all our experience. Since it can be measured therefore we can formulate policies that increase happiness.

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<sup>107</sup> See J.G.Tulip Meeks, ‘Utility in Economics’ in *Surveying Subjective phenomena* (eds.). Charles Turner and Elizabeth Martin.

## Can Happiness be measured?

The purpose of this essay is to examine the measurement techniques of Layard and question how successful they are in measuring happiness.

Layard relies on Kahneman's experiments, surveys and Neuroscience experiments to measure happiness. Although Kahneman's method of measuring happiness is insightful but may be misleading. In his example of measuring pain of patient A and B, what really is the true measure of happiness? Is it the moment-based approach or the memory-based approach? Since what people prefer in retrospect is not the same as they prefer at that moment. If asked at that time of experiment to either stop the pain or tailor it off, at that moment they will say to stop it immediately<sup>108</sup> but when asked later they would prefer to tailor it off. So Kahneman's peak-end rule is contestable.<sup>109</sup> It is hard to say which approach is a better determinant of happiness.

Therefore when Kahneman asserts that 'like total utility, objective happiness is a moment-based concept that is operationalized exclusively by measures of the affective state of individuals at particular moments of time' is not persuasive. Since the moment-based conception might not be an accurate gauge for measuring as complicated a notion as happiness. Happiness may be a cumulative process; it may be reconfirmed through retrospection. Maybe retrospection is included in defining or realizing happiness. Mostly it is looking back that makes us realize how happy/unhappy we were at a particular instance. And at that particular instance we were not cognizant of the reality. Maybe the good memories control us at an unconscious level augmenting our everyday objective happiness. Of course there maybe the aspect of retrospective glorification, but that is the freedom every individual should have to play with his memories. Therefore his example

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<sup>108</sup> We actually might prefer shorter durations of pain rather than tapering it off, as the same time involved in the tailoring off might be spent in the relief being experienced to be free of the pain.

<sup>109</sup> The peak end rules dictates that 'adding a period of pain to an aversive episode will actually improve its remembered utility if it lowers the peak-end average'.

where people are given beepers who are asked at a particular instant to report how happy they are at that instant is not a convincing measure of happiness as it is based on the Moment-based approach.

Also when Kahneman compares two different nationalities the French and the Danish, where the evidence in the survey shows, that one is very happy and the other not so happy, it does not imply that the situation is so in reality. Happiness is a subjective term. My notion of very happy might equate with your level of barely happy. You cannot assume that they have identical measurement scales, as we haven't tested every Frenchman's brain in the laboratory.

Interpersonal comparison of pain is not very accurate as pointed by Kahneman (when comparing women in labor pain). When comparing peoples ability to handle pain, one has to be cognizant of the fact different people have different thresholds of pain and differ in what they classify as bearable or unbearable pain.

The postulate by Layard and Kahneman (the hedonic treadmill) that people get used to a higher standard of living, or adapt to better changes and get used to it and revert back to the same level of happiness, can be contested. Sometimes positive changes take a person to a higher state of happiness and then tailor back, but do not dip to the base level but stabilize at a higher level. I was euphoric when I got admission in Cambridge, the euphoria has gone but my general level of happiness and satiation has now settled at a higher level than it was before I got in. say I had initially 200 units of happiness, the admission took me up to 300 units, but now I am back at 250 units, still a higher base level. Even if I had dipped to 200 units, those 200 units would be enhanced, reliable and stable. Similarly moving from one country to another, which offers a better quality of life, surely does increase happiness as opposed to what Kahneman concludes.

Layard's method of measuring happiness by asking people in surveys might not be very effective either. People might not be truthful about themselves; they might not be lying to the surveyor but also to themselves. Also if they are not happy they might want to give an optimistic response. If the questions are related to policy incentives and they will gain goods if they report that they are unhappy then they will have an incentive to

lie. People also tend to live a life of pretence, where impressions are very important. People may like projecting themselves as being happy and successful. This may all be deceiving and lead to an inaccurate measurement of happiness.

And all the citizens cannot be subjected to the experiments of neuroscience. It would be too expensive and time consuming to evaluate whether the area in left lobe or right lobe is more active in every citizen. Also measuring happiness through the artificial environment, by neuro-science might not be reliable. Since it is not a bypass or a liver transplant, where the organs would remain the same even in the artificial environment of the experiment, but is an analysis of the mind, which is susceptible to the environment and might not show accurate responses in the artificial environment.

Layard's claim that interpersonal comparison on happiness is possible is contentious. In surveys it is not possible to make interpersonal comparisons. My state of happiness does not commensurate with your notion of happiness. Both do not have the same scale of measurement. The machine also creates ambiguity. How much it lights up in my brain does not correspond to the same happiness levels in your brain. An interpersonal comparison on happiness is just not possible. (Although the Pareto criterion for welfare improvement by making one individual better-off without making another worse off may offer policy implications because it does not assume that interpersonal comparisons can be made. But then the Pareto welfare criterion also has serious limitations.)

### **Layard's measurement of Happiness and the policies he advocates as a corollary.**

Layard claims that happiness can now be measured, so the state should pursue policies to augment happiness, as national income is not an adequate measure. He says since in the last fifty years we have increased our national income but we are no happier than we were before, as people get involved in the rat race and living up to their neighbors, and disregard what makes them happy. Money after a certain level does not increase happiness and promotes feelings of envy in others. Therefore taxation should be used as a disincentive to excessive working, because the desire to make more money takes away the time that could have been spent in leisure.

But Rich people work also to achieve a sense of satisfaction and achievement and not only for additional money. And if people have more time for leisure and family, won't they get used to that level of happiness and go back to the initial level that Layard claims we all revert back to?

Layard maintains divorce is a major cause of unhappiness. The policy he offers in response is that the state should offer counseling and parenting classes so married people stay together to ensure the well being of the children. But some people need to divorce to secure happiness for themselves and their children. And by forcing its citizens by attending parenting classes is the states not decreasing the happiness of the citizens by making them feel as inadequate spouses and parents?

His policies reflect the era of the 50s, but he himself says we are no happier now as we were then! So what is to be gained? The policies also might deceive/brainwash some people into believing that they are happy because now they should be happy.

He talks against the Joneses effect and catch up pressure, but if he assumes that happiness can be objectively measured then what happens when I compare my units of happiness with another, and find that I am lagging behind in units, whereas previously thinking as being happy in comparison I will now feel worse-off.

If the research that life circumstances make only a small contribution to the variance of happiness-far smaller than the contribution of inherited temperament or personality<sup>110</sup> and although people have intense emotional reactions to major changes in their lives, these reactions appear to subside more or less completely<sup>111</sup>. Then the policies cannot succeed as happiness is inherited or a personal attitude and not contingent on state policies.

Layard does not mention applying the policies world wide, because otherwise if Britain adopts the happiness policies in isolation, people start working less, their

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<sup>110</sup> Diener et al 1999, Lykken and Tellegen 1996, Myers and Diener 1995

<sup>111</sup> Headey and Wearing 1992, Frederick and Loewenstein 1999)

productivity falls relative to the rest of the world, they will feel left behind and inferior, their level of happiness will fall. Layard defeats himself here.

Layard even if he believes that happiness can be measured does not arrive at the right kind of policies that should be pursued as a consequence. Although Layard claims to back to Bentham and his concept of happiness, his conception of happiness and measurement is not synonymous to how Bentham envisaged it. He does not have Bentham's quantitative approach but has a qualitative experience of happiness. And the link between measurement of happiness and the policies he puts forth is not strong. The Policy implications are lacking in insight. Maybe he himself does not truly believe it can be measured the way Bentham envisaged it to be.

### **Conclusion.**

To measure happiness we must make the assumption that all individuals have the same measurement scale. To make interpersonal comparisons we all need to have similar manner of expression, similar abilities of deriving happiness, and the same denominator and the same numerator!

We have assumed that we have defined happiness, and hence can measure it. Maybe happiness escapes definition let alone measurement. So Layard's claim that it can be measured and hence can function as the social maximand is not convincing.

I would conclude with Jevons when he says 'there is no unit of. ...Suffering, or enjoyment...I have granted that we can hardly form the conception of a unit of pleasure or pain, so that numerical expression of quantities of feeling seems to be out of question... I confess that it seems to me difficult even to imagine how such estimates and summations can be made with any approach to accuracy.' {Jevons, 1871/1911:7, 12, 1871:12) interpersonal comparisons of utility were held by Jevons to be impossible too.<sup>112</sup>

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<sup>112</sup> J.G.Tulip meeks, 'Utility in Economics' in *Surveying Subjective phenomena* (eds.) Charles Turner and Elizabeth Martin

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## Essay 2

(by John Ssegendo)

Layard attempts to advance a new approach to measuring happiness when he argues that

*“...economics equates changes in happiness of a society with changes in its purchasing power.....and the history of last fifty years has disproved it.....instead, the new science of happiness makes it possible to construct an alternative view (based on evidence rather than assertion)”* (Layard 2005: ix).

Layard’s objection to the use of income in measuring happiness in favour of brain science is a leap forward from economics but with great practical policy implications. By this approach he ignores the many objections economists and philosophers have held about measuring happiness—considered to be subjective phenomena. On the contrary, Layard argues that “.....brain science confirms the objective character of happiness....” (Layard 2005:20). By combining psychology and brain science, Layard defines happiness and emphasises that it can be measured.

*“ Happiness is feeling good and misery is feeling bad.....at any moment we feel some where between wonderful and half dead and that feeling can be measured by asking people or by monitoring their brains.....we can go on to explain a person’s underlying level of happiness—the quality of his life as he experiences it.....”* (Layard 2005:6).

With the help of the new science, it is now possible to measure what happens in the brain when people experience positive and negative feelings. Layard emphasises that “.....we now know that what people say corresponds closely to the actual levels of activity in different parts of the brain which can be measured by scientific means” (Layard 2005: 16).

Even if it were possible to measure happiness objectively with the help of the new science, it is at least not hard to realise that such an enterprise would be prohibitively expensive in terms of money and time. It would require that brain tests be taken for a wide cross section of the population to verify results from interviews about people’s feelings as a measure for happiness. If we are to believe Layard when he asserts “that what people say corresponds to different levels of activity in their brains”, for practical

policy reasons, one would as well conclude that since what people say closely correlates with what they actually feel, probably we may as well just conduct surveys on people's levels of happiness and not incur the enormous costs of brain tests. Besides less people I suppose, would be willing to undergo brain tests. The alternative would then be to settle for asking people about what they feel and consider the process an objective way of measuring happiness. Yet if these adjustments are allowed, it takes us back to the doubts that other economists have had about the subjective nature of measuring happiness.

In a related dimension, even if people would be willing to take the tests given the expenses involved, it would take a long time to survey a whole national population. Well knowing that people's feelings vary widely over time due to external factors, it would be hard to have any meaningful precision and hence had to make any objective conclusions about people's happiness.

Layard further argues that there is consistency in results from different methods used to measure happiness:

*“Happiness is an objective dimension of all our experience. ....We can ask people how they feel. We can ask their friends or observers for an independent assessment.....Also, remarkably, we can now take measurements of the electrical activity in the relevant parts of a person's brain. All of these different measurements give consistent answers about a person's happiness. With them we can trace the ups and downs of a person's experience and we can also compare the happiness of different people.....happiness is a real objective phenomenon.....happiness is a single dimension of all our waking experience, running from the utmost pain and misery at one extreme to sublime joy and contentment at the other” (Layard 2005:224).*

If feelings swing from happiness to misery, how realistic will be a measure of happiness that is administered at a point in time. I could be feeling horrible in the morning and in the afternoon I am in high spirits. Supposing I am asked how I feel in the morning I will say terrible yet were it to be in the afternoon, I would say wonderful. On the contrary, my neighbour's mood might be the exact opposite of myself at given moment in time, yet tests will not reflect the rapidly changing feelings even at short term intervals.

Even if we were to relax the objection to the difference between what people report and what they actually feel, which could be solved by brain tests, the tests at least may not reveal the intensity of the happiness and the reasons for happiness and or misery.

This means that brain tests are inconclusive and we must rely on individuals to give explanations to their feelings of which we do not have control. We are not at this level certain whether they shall tell the truth or they shall lie.

The other criticism on interviewing people about happiness and use of brain tests is that once individuals are being interviewed, their environment and feelings are altered.

There has been a long debate in social science research on the influence of researchers on respondents. It is believed that individuals will react differently in an interview situation, or when they have knowledge that they are being observed than will be their normal behaviour. On asking people about their past experiences, people would like to retell only their good experiences to strangers and it takes trust for people to tell their bad experiences. Given this situation, asking people to report their experiences as a means to measuring their happiness is flawed.

Layard's approach is a leap from the work of earlier economists and philosophers who were sceptical about obtaining an objective measure of utility and happiness. It has for long been thought that there are differences between what people say when asked about how they feel and what goes on in their brains. There has also been objection to comparisons between individuals and more broadly society. Agreeing to what Layard says would be tantamount to a revolution in our knowledge and would require that all doubts about measuring happiness have been dealt with. I still believe that we are far from attaining this. My view will be supported by views of philosophers and economists about the objections to measurement of happiness.

Bentham and Mill identified utility with happiness and this with "pleasure and the absence of pain. Bentham was aware of the problems of measuring happiness. He believed that sensitivity to pleasure might vary between individuals for a number of reasons including age, sex, education and firmness of mind (Mill 1968 in Meeks 1980). This situation would complicate attempts to measure pleasure. He also explained the obstacle of adding individual utilities to arrive at a social sum writing that

*"tis in vain to talk of adding quantities which after the addition will continue distinct as they were before.....you might as well pretend to add 20 apples to 20 pears which after you have done*

*could not be 40 of anything, but 20 of each just as they were before” (Bentham in Halevy, 1901:VOI III, 481).*

Jevons expressed the same fears about the possibility of arriving at a unit of pleasure or happiness.

*“There is no unit of .....suffering, or enjoyment .....we can hardly form the conception of a unit of pleasure or pain, so that the numerical expression of quantities of feeling seems to be out of the question. I confess that it seems to me difficult even to imagine how such estimates and summations can be made with any approach to accuracy. ....I see no means by which (comparison of) the amount of feeling in one’s mind with that in another.....can be accomplished. The susceptibility of one mind may, for what we know, be a thousand times greater than that of another.....Every mind is thus inscrutable to every other mind, and no common denominator of feeling seems possible (Jevons 1871/1911: in Meeks 1980: 45, 56).*

Both Bentham and Jevons believed that the human mind was inscrutable. By this very fact, it was perceived hard to imagine how one would numerically express units of happiness that were not accessible to any unit of measurement. Bentham also believed that people’s experiences were unique and by that very fact considered it unworkable to attempt to sum them.

More relevant to the new brain science, Robbins (1938) maintained that whereas man’s preferences might in general be resolved “in a way purely scientific” either by asking him or observing his behaviour in the relevant context of choice, there is no scientific way of settling the differences of opinion about the satisfaction of different people. The differences in opinion about satisfaction would definitely complicate attempts to quantify people’s preferences.

Little (1957) objected to Bentham and Jevons’ notion that minds were inscrutable and maintained that we can use different men’s behaviour to compare their mental states. He emphasised that “interpersonal comparisons of satisfaction are empirical judgements about the real world, and are not, in any moral context, value judgements”. Layard would find solace in Little’s observational approach to measuring happiness as he claims that there is a close relationship between what other people observe and what people say when asked and when brain tests are taken to measure their feelings. In my opinion

though we can not deny interpersonal comparisons of people's behaviour, this does not make the procedure objective. I think some people are more able than others to control their feelings so that what we observe may not reflect people's mental states.

More importantly, Little argues that judgements about changes in community utility cannot readily be constructed by inference from interpersonal comparisons made in a limited sphere because of the difficulty in establishing the extent of secondary effects. And he holds that access cannot be had to direct factual judgements of changes in the way that was possible for individuals largely due to the sheer weight of numbers. In my view, this objection to using the observation approach to measure happiness at a societal level is an insurmountable challenge to Layard's approach.

### **Some Policy Implications**

Bentham believed that all laws and actions should be aimed at promoting the greatest level of happiness. Layard believes in the above principle and argues that at policy level this implies redistribution of wealth because the increase in income of the poor results into more happiness than increase in income of the very rich (Layard 2005). However the policy implications Layard tries to draw from recent studies of relative reported happiness levels suggest he underestimates the type and extent of information required to show that a particular course of social action is likely to lead to maximum happiness. Taxation is one of Layard's policy alternatives for increasing happiness which he justifies on grounds that:

*".. natural selection has planted in us the desire to do better than other people.....This is what causes the rat race. If a person works and earns more.....compared with other people. Other people lose because their income now falls relative to his...He does not care that he is polluting other people ..... if we make taxes commensurate to the damage that an individual does to others when he earns more, then he will only work harder if there is a true net benefit to society as a whole.....taxation is away of containing the rat race and we should stop apologising for its "dreadful" disincentive effects" (Layard 2005:228).*

I think it might be hard to draw a line between how much tax is necessary to discourage people from overworking (so that for example people spend more time with family), and by the same token not create a disincentive to working hard at all. Not only are Layard's specific policy application of his happiness metric open to doubt, but also

there are questions about his willingness to face up to the interventionist character of his undergoing argument. Some of these policies may prompt government to undertake actions aimed at increasing happiness which may not only contradict freedom and liberty but may also boomerang and instead reduce happiness<sup>113</sup>.

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<sup>113</sup> Tom Nutall writing in the *Prospect* (2005), has expressed a similar concern “...Layard seems to cling to what for him should be an outdated fear of paternalism, hesitating when the logic of his argument points to illiberalism”.

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## NOTES

