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Shifting economics: fundamental questions and Amartya K. Sen's pragmatic humanism

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Abstract: Amartya K. Sen's body of work is an unrelenting project that consistently and coherently re-focuses the attention of economists and economics towards foundational questions. His capabilities framework has offered an expanded space of evaluation to directly judge the well-being of people and society. Through a detailed survey of Sen's intellectual development, his readdressing fundamental rigidities in economic methodology, and his new framework for evaluation, this paper argues that Sen has inculcated new habits of mind, and engendered a social momentum in economic thought that takes human complexity and the richness of societal diversity into account. Creating a social momentum in economic thought through refocused habits of mind can have a sustainable impact in economics only if its scope is not sub-discipline specific, if it provides an inclusive framework, and if it builds bridges within and outside the discipline chiefly between economics and moral philosophy. Sen's approach is pragmatic, courteous, and persuasive, but not divisive. It is expansive, yet contextual; it is *humanistic*. In Sen, economics is an inquiry into the nature and causes of human development.

Keywords: capabilities approach, evaluative space, utility problematic, behavioral foundations of economics

Introduction, motivation and purpose

Amartya Kumar Sen (A.K. Sen or Sen) is a semi-transformative thinker who encourages the excessively narrow, technical, reductionist, and parochial discipline of economics, to inculcate new *habits of mind* that take human complexity in all its

dimensions into account. He has had a discernible influence on economics, giving it a renewed vision and purpose by re-connecting it with fundamental concerns of humanity and society. Sen's body of work is an unrelenting project that consistently and coherently re-focusses the attention of economists and economics towards foundational questions (concerns and objectives), thus earning him the informal title of second phase classical thinker (Walsh 2010).

His genius is not to openly urge radical departures in the field, but to subtly direct the habits of mind in the discipline. He has nudged economists away from artificial human motivations and narrow methodological individualism, arcane theories, and abstract formalism towards a humanism that treats real human beings and their flourishing as the subject matter of economics. His focus on justice, as well as his subtle ideas about what might be rational for individuals to do— when we understand them not as one-dimensional beings, but both as egoistic and social creatures— builds bridges between economics, moral philosophy, and political theory. Without such bridges, economics can only be arid because choices regarding resource allocation— and all decisions and activities related to the economic process of provisioning— are moral choices within a largely public, and hence political, setting. Even the family can flourish or not only in a social and political context.

In Adam Smith, economic growth, i.e., the 'wealth of nations,' is the subject of inquiry. In Sen, human development is the subject of inquiry, where economic growth and the expansion of wealth are means to an end. Sen subtly shifts us away from directly focusing on economic growth and instead, towards the creation of opportunities, where the latter serves as the means to achieve a broader end which he calls well-being. His body of work culminates into a substantive project that calls for re-examining and expanding the informational base used in evaluating, i.e. judging well-being and advantage. Prendergast (2004, p. 39) notes:

It is argued that Sen has done a great deal to rescue welfare economics from the consequences of methodological individualism by seeking an objective basis for the comparisons of well-being, by insisting on the need for interpersonal comparability and by creating a space for normative evaluations.

People's well-being is intrinsically, not just instrumentally, important, which implies that there are moral dimensions to the goals we pursue in economics. Capability, i.e. substantive freedoms to choose a life one has reason to value, is the evaluative space of well-being, not utility. Sen clarifies that expanding people's capabilities (not commodities) and functionings are the end goals. The questions

regarding *how* people establish command over commodities and expand their ability to achieve the goals that they value (agency) are central to his approach. Here, the idea of social advantage is relevant. For Sen, the social space is not in contrast to the economic space. Public provisioning of education, health care, potable water, sanitation etc.— along with directly addressing repressive social institutions such as those that disallow or discourage girls and women from accessing publicly provided education, or from having equal opportunity to participate in the labor market— constitute various elements of the 'social'. Widely available public education in rural and urban areas would constitute a 'legal entitlement' in a society for individuals. Being disallowed to attend school would be the articulation of an 'extended entitlement' in the negative direction, deriving from extant social and familial norms. Individuals in certain sub-groups of a society are disadvantaged both by the lack of adequate public goods i.e., social arrangements (in Sen), and additionally by repressive social norms. These socially derived disadvantages become conversion factors which interact with available economic opportunities, thus creating capabilities deprivation, poor outcomes for some individuals, communities at various levels of aggregation, and diminishing the potential for human development.

Sen's project has shifted the thought process of economic inquiry by making it an inquiry into the nature and causes of human development. In addition, his contributions have transcended disciplinary boundaries by influencing thought towards a global humanistic philosophical paradigm.

Since the early nineties in particular, there has been a proliferation of scholarly work in response to Sen's capabilities approach (CA) and framework. Rawls (1999) and Sugden (1993), among others, question the operability of Sen's capability approach. A large group of scholars and researchers have contributed to operationalizing and specifying the capabilities set, most notably Nussbaum (2000). CA has been central in the United Nations Development Program (UNDP) on human development, and the policies of the World Bank. The past twenty years of work in economics and its sub-disciplines reveal a variety of applications, debates, and contributions to conceptual work in response to his call for expanding the evaluative basis of judging well-being both at the individual and societal levels.

The collective body of work produced by Sen, over a forty year period— beginning in the fifties with his contributions in social choice theory and culminating with his transformative work on famines which culminated in the CA framework— , contain a foundational synthesis. This paper draws upon specific contributions from Sen

to discern these foundational themes, and how they developed into new conceptual frameworks. This foundational synthesis is not always directly discernible in the individual works. However, a close study of the development of his work and intellectual development demonstrates how Sen shifted the thought process of economic inquiry, which I describe as 'habits of mind' engendering a 'social momentum in economic thought'.

This paper also addresses the claim that the Senian project does not aim to overthrow the extant dominant paradigm in economics and replace the entire body of fundamental principles. I argue that it is rather a gradual and persuasive shift that Sen engenders, by logically questioning key fundamental assumptions in economics, as well as responding to those questions by introducing a new framework and evaluative basis for judging societal well-being [1]. Sen recognizes that normative values are embedded in standard economic assumptions. Thus, extant fundamental assumptions and the methodology of both classical and neoclassical economics (deductively) result in a specific type of disciplinary focus. Sen systematically demonstrates that all these core aspects, which are foundational to mainstream economics today, have limited the scope, goals, and focus of our discipline.

Specifically, this paper (a) surveys the development of Sen's work over a fifty or nearly sixty year period, beginning with his reframing of social choice theory and culminating in his capabilities framework, (b) discusses the state of the discipline, particularly the utility framework, (c) describes how Sen redresses the problems he identifies in mainstream thought and practice, and (d) explains his contributions towards creating a welfare analysis that focusses directly on well-being rather than income and commodities. In sum, the paper will argue that Sen's work has in fact succeeded in inculcating new habits of mind, thus engendering a social momentum to shift economics away from a narrow utilitarian informational basis of welfare as the evaluative framework, and towards an expanded informational basis of capabilities with a direct focus on individual and societal well-being founded in substantive freedoms, agency, and functionings.

Survey of Sen's work and intellectual development

Sen's work began with his examination of social choice theory, which led him to look beyond Arrow's impossibility theorem and towards foundational questions instead. This approach led him to conclude that the informational base for

evaluating and judging welfare needed expansion, explicitly by moving away from the utilitarian base used by Arrow. He consciously moved his theoretical work on social choice closer to the practical concerns of people, especially those of hunger and poverty. Sen's collaborative work with Dreze on hunger, famines, poverty, and public action resulted in an expanded framework of deprivation. His applied work on famines led to the development of a new framework that replaced the quest for 'welfare' by social choice theorists with well-being, social advantage, and agency. Sen replaced social choice theory of welfare based on a sterile utilitarian framework with a focus on well-being and advantage defined with a much broader informational base called 'capabilities'.

Even as a young undergraduate student in Calcutta (now Kolkata) in the early 1950s, soon after the publication of what he calls "...Arrow's stunning impossibility theorem" (Sen 1998, p. 3), Sen was drawn towards the theory of social choice. Sen has noted a variety of both people and events that shaped his thinking and work. He notes the influence of his thesis advisor Joan Robinson, along with what he calls the peaceful coexistence of three remarkable economists at Trinity: Maurice Dobb—a Marxist, Dennis Robertson—a conservative neo-classicist, and Piero Sraffa—a model of skepticism of nearly all standard schools of thought (Sen 1998, p. 4). He has discussed becoming cancer free in the 50s as an event that led him to think about judging the goodness of society by the health of its people. Also, he used the horrific death of Kader Mia in a communitarian clash between rival groups of Muslims and Hindus as the motivation for discussing how the lack of economic freedom—which Sen calls Kader Mia's economic 'unfreedom' (Sen 1999, p. 8)—leads people to place themselves in vulnerable positions. He pondered the constructive role of political opposition as he observed the nature of left wing politics in Calcutta, India.

Barely one year into his research thesis at Cambridge in the U.K., under the supervision of Joan Robinson, Sen's rapid advance to the finish line of his Ph.D. resulted in him being awarded the gift of time, and a fellowship from Trinity College to study whatever he wanted during the remainder of his time there. He thus studied moral and political philosophy, logic, and epistemology. After his studies, he spent a few years as a professor in the Delhi School of Economics in the mid to late sixties, when he became immersed in social choice theory—along with a variety of intellectual influences from the time he spent at MIT, Stanford, and Berkeley (Sen 1998). From the outset, Sen has acknowledged strong connections with Adam Smith, Karl Marx, and Aristotle, followed closely by more recent links to John

Rawls, Isaiah Berlin, Paul Streeten, Francis Stewart, and Mahbob ul haq (Clark 2005).

One of Sen's earliest books was on *Collective Choice and Social Welfare* (1970). Of this work, Sen (2010, p. 6) writes

I made an effort to take an overall view of social choice theory. There were a number of analytical findings to report, but despite the presence of many "trees" (in the form of particular technical results), I could not help looking anxiously for the forest. I had to come back again to the old general question that had moved me so much in my teenage years at Presidency College: Is reasonable social choice at all possible given the differences between one person's preferences (including interests and judgments) and another's...

Sen's highly theoretical work in the areas of social choice theory, welfare economics, and axiomatic choice theory seem to have established an impervious and unshakable foundation for his broadened framework of social choice. Walsh (2007) explains that for Sen, the negative result and the impossibility of rational social choice policies depended on the weak utilitarian informational base used by Arrow. In his autobiography, Sen wrote (2010, p. 8):

My own interest shifted from pure theory of social choice to more "practical" problems. But I could not have taken them on without having some confidence that the practical exercises to be undertaken were also foundationally secure (rather than implicitly harbouring incongruities and impossibilities that could be exposed on deeper analytical probing). The progress of pure theory of social choice with an expanded informational base was, in this sense, quite crucial for my applied work as well.

Having spent a little over a decade on pure theory, technical findings, and critical analysis, Sen's work culminated by the early 70's in a re-examination of foundational issues by a methodical deconstruction of utility theory and broadening of the social choice framework (Sen 1966, 1973, 1977, 1979, 1985; Sen and Pattnaik 1969).

Sen's study of philosophy combined with the lurking issue of 'looking anxiously for the forest' motivated this gradual shift from social choice theory to 'more practical concerns', while simultaneously developing an innovative approach to the conceptual foundations of welfare itself. The latter will in the future become new taxonomies of entitlements, capabilities, functionings, agency, freedoms, and well-being, along with a gradual and not yet definitive 'shift in the road' we are on.

One of his earliest publications (Sen 1976) appeared in a special issue on hunger published by the *Economic and Political Weekly (EPW)* in India, and was entitled "Famines as Failures of Exchange Entitlements." His work on famines continued in collaboration with Dreze, and culminated in the seminal three-volume publication of the *Political Economy of Hunger* (1990, 1991) and *Hunger and Public Action* (1989). Sen focused on the causes of endemic hunger and famines, and he saw them as questions of lack of *command* over food, and the means by which individuals establish such command in a variety of institutional settings and socio-economic contexts. Thus, a variety of market arrangements, such as legal, household, social, and familial systems, were all equally relevant and central to Sen's inquiry regarding hunger and famines (Sen 1990, 1991). According to Gasper (2000, p. 990):

Amartya Sen (b. 1933) was already an internationally reputed economist... known for his work on,... cost-benefit analysis of public investments, growth theory and the relationship between choices for collective and the preference of its members... What makes him stand out for wider audiences however, amongst and from the economists of his generation, is his work in the past quarter century in two major areas: ... i)...famine, ... hunger and poverty, ... through his 'entitlements approach'... resulting framework for policy response; and ii) going beyond critique of welfare economics to offer a reconstruction: including his 'capabilities approach' ... reconceptualizations of well-being, poverty, equity, and development. [...]

In both areas Sen presented the main features of this thinking in the late 1970's and early 80's. This work provides broader perspectives on, respectively, (i) claims and allocations, now perceived as within society and polity, not only an economy and (ii) personhood and well-being. Here, it is paramount to note that Sen's work on hunger and famine has its foundations in his work on a broadened evaluative space of assessing personal well-being and advantage, Individual ability and agency (substantive freedoms) in their socio-economic context become the ingredients of the capabilities approach (CA). CA is an evaluative framework for individual welfare and social arrangements which highlights the importance of improving substantive freedoms and real opportunities for individuals and society as a whole. Of course, Sen's CA clashed with the dominant theoretical practice. Sen would approach this challenge in a most innovative manner.

State of the discipline: extant conceptual foundation and evaluative concerns

Twentieth century neoclassical economics has been dominated by disciplinary behavioral canons, viz., self-interest, profit, and utility maximization. These behavioral foundations are tautological, i.e. they simultaneously emanate from, and also justify, the idea of economic rationality, which in turn creates a one-dimensional rational economic agent. Economic rationality is never defined in introductory economics; axiomatic theory defines certain choices as being consistent and hence rational. Results of decision making by this 'rational' agent are viewed as being rational, arguably a tautology resulting in an 'understanding' of rationality purely tautological by implication. Rationality as a concept is thus a truism in economics [2]. Walsh (2007) asserts that early neoclassical economics was based on Bentham's 'hearty utilitarianism,' where utility was interpreted as well-being (albeit inconsistently according to Walsh), and called for an increase in total well-being by redistributing income from the less pressing needs of the rich to the desperate needs of the poor [3]. Early neoclassical economics according to Walsh (2007, p. 64), "... still had traces" of concerns for the well-being of society as found in Smith and other classical writers. In this piece, Walsh (2007, p. 64) provides a compelling analysis of the substantial influence that the logical positivist's fact-value dichotomy had on neoclassical theory in the 1930s, which proceeded to purge "...vestiges... of honorable concerns of classical writers", thus removing all traces of value judgments to avoid any interpersonal comparisons of utility in evaluating societal welfare by the time of Kenneth Arrow's seminal work on social choice. It is largely owing to Sen's work and willingness to deal with this reductionist framework inherent in neoclassical economics that contemporary philosopher's such as Putnam and Walsh have turned their attention towards economics.

Economics is first seriously encountered in undergraduate education. Here introductory courses, simple theoretical models, and pedagogical examples are dominated by conceptual and methodological individualism [4], albeit in a simplified manner which can be attributed largely to Lionel Robbins and later Paul Samuelson. As students progress, these simplified principles become progressively formal, complex, and abstract, while remaining firmly rooted in the extant behavioral assumptions. Abstraction and rigor provide the theoretical basis (method) for empirical analysis in various fields and subfields of economics, while embedding the behavioral foundations deep inside the models, thus making it impossible to see the foundations. The impervious nature of mainstream theoretical

models allows for the continuing practice of methodological individualism by obscuring the true normative nature of the behavioral foundations therein. It is only the process of deconstruction that reveals the extant embedded foundations.

Abstraction as a method by itself is not a concern. However, abstraction that hides the explicit articulation of methodological individualism practiced to retain assumptions of rationality and the principles of utility is the concern. Methodological individualism results in theories and empirical work that are reproductions of extant behavioral assumptions made in neoclassical economics. This tautological structure is a largely self-fulfilling, closed analytical system that results in reinforcing humans as being one-dimensional. Such an identity of 'the' individual is not ubiquitous to time, place, and contexts. Julie Nelson (1995) argues that economics is a human practice which is socially constructed like any science, and that our limitations, interests, and perceptual biases have effects on the culture of economics [5]. The refusal of neoclassical economics to examine the practice of methodological individualism has contributed to creating an arid culture of economics.

The search for a single unifying paradigm employing universalist behavioral assumptions yields definitive understanding, arguably an illusion of possessing 'fact'-based knowledge. This paradigm, devoid of normative thinking, has in many ways resulted in an astoundingly successful reductionist framework. The reduced identity of individuals is exemplified explicitly in microeconomics. Welfare economics (also social choice theory), which dominated economics between the 50's and 70's, further canonized the narrow utilitarian identity of individuals in microeconomics, along with the crucial result regarding the idea of what constitutes welfare, and the limitations of aggregating welfare from individuals to the societal level. The impact of these widely accepted behavioral assumptions on economics is best captured by institutional economist Walter C. Neale (1981, p. 1180) when he writes,

...there are in fact two different root meanings to the terms *economic* and *economics*. On the one side there is the logic of *economizing*, meaning least effort, least cost, most output. ... Economics becomes the study of the logic of economizing, and thus of maximizing. This is the root meaning to which Karl Polanyi attached the rubric "formal," as in "logical." On the other side there is the meaning of what people do to provide themselves with the material means of achieving their ends. This is the root meaning to which Polanyi attached the rubric "substantive." A substantive economics— institutional economics— becomes the study of *economies*, of how people

go about provisioning themselves, whether as individuals or as members or groups with common purposes. No universal aim, no universal method or logic is assumed. Rather, what people want to achieve and how they go about it— the institutions that govern provisioning— become the subjects of study.

Such ceremonial behavior has not gone unchallenged, as evidenced by the evolution of many schools of economic thought [6].

I argue here that the work of A.K. Sen, is not identified in 'a' school of thought, but rather engenders a way of thinking, or *habit of mind*. In fact, the contention in this paper is that Sen's foundational contribution, which is often identified as having primarily been in the area of development and poverty, in fact has had broader influence on economic thought itself. Hence, in this paper, the phrase *habit of mind* is used to project the idea that Sen's work has created a social momentum in economic thought and praxis that has altered the vision, methodology, and purpose of economics. Sen's work resides in the expansive space of a contextually pragmatic, holistic, theoretically grounded body of work replete with social, ethical, and humanistic values of justice. The focus of his contributions is neither about forging a unifying theory, nor is it premised as a departure from the mainstream; rather, it seeks to expand the vision of economics. His non-divisive, subtle, and yet persuasive nudging of economics to rethink both the evaluative space in economics and broaden what economics focusses on has been reiterated in a rich body of knowledge. His life's work has had success at reaching a wide audience both within economics and outside the discipline.

Some of the claims and arguments in the following section draw on Sen's autobiography published by the Nobel foundation in 1998. This short autobiography helps trace Sen's own history, along with social, economic, political, and intellectual influences on his work [7]. He often writes, even in the most rigorous of papers, in a conversational manner. He uses logic, persuasive language, and methodical deconstruction, interspersed with illustrations that the reader can relate to [8]. All of the aforementioned pertaining to Sen's method of writing, is often done in a rich comparative context with references to ancient texts such as Aristotle's *Nicomachean Ethics*, Kautilya's *Arthashastra* [9], 8th century B.C. Sanskrit text *Brihadaranyaka Upanishad* [10] (Sen 1999), which represents a radical shift in the perceived scholarly rules and tradition of economics. A commonly heard observation is that Sen's writing can be 'dense', which this paper rephrases as a richness of logic that replaces the abstract mathematics of mainstream economics. His style is perhaps reminiscent of the classical tradition.

An expanded conceptual framework and new taxonomies: redressing reductionism in a parochial discipline and inculcating new habits of mind

The utility problematic

Sen's work on the assessment of personal well-being and advantage is not only based on his extensive study of social choice theory, but also on his deconstruction of the concept of utility, a fundamental concept in all modern neo-classical economics (Clark 2005). He argues that there has been a long tradition in economics to avoid plurality of focus in assessing a person's state and interest, which has resulted in using one simple measure of a person's interest and its fulfillment, i.e. utility. Sen has written extensively about the utility problematic [11]. According to Sen, utilitarian economists used utility to mean satisfaction or happiness, or desire-fulfillment in keeping with classical and modern utilitarianism, respectively. "But in much of modern economics 'utility' serves other purposes too, standing for whatever the person maximizes (or can be seen as maximizing), or simply for the person's well-being or advantage no matter how that is judged. This loose usage has had a confounding influence on economic analysis. Mathematical exactness of formulation has proceeded hand in hand with remarkable inexactness of content." Sen (1987, p. 2) The newly-defined utility according to Sen (1987) has been undefended and unestablished, and utility is being used to represent one's own view of welfare, one's motivation, one's happiness, one's desires and one's own maximand in choice behavior [12]. Income and commodities serve as the proxy for utility acquired from income and expenditure data. Fundamentally, for Sen there is more to life than achieving utility, especially those things in life that have intrinsic value such as basic rights, and the positive freedoms which are ignored by the choice based on welfare. Defenders of the utility approach to welfare argue that utility levels might reveal a person's deprivation and unfreedom, but Sen (1999, p. 62 in Clark 2005) argues that "utility can easily be swayed by mental conditioning or adaptive expectations." In Sen (1987, p. 3), he writes:

What is objectionable in the economic theorizing that identifies widely different concepts of self-interest, motivations, etc., is not the fact of simplification itself, but the particular simplification chosen, which has the effect of taking a very narrow view of human beings (and their feelings, ideas and actions), thereby significantly impoverishing the scope and reach of economic theory.

Redressing the utility problematic

Sen thus found that the evaluative space provided by utility was narrow. His critique led him away from income and commodities, i.e. proxies for welfare in a utilitarian framework, and instead towards a broader evaluative space embedded in a person's interests, abilities, and their fulfillment, that Sen (1987, p. 3) calls, 'well-being' and 'advantage'.

Well-being is concerned with a person's achievement: how 'well' is his or her 'being'? Advantage refers to the real opportunities that person has, especially compared with others. The opportunities are not to be judged only by the results achieved, and therefore not just by the level of well-being achieved. It is possible for a person to have genuine advantage *and* still to 'muff' them. *Or* to sacrifice one's own well-being for other goals, and not make full use of one's freedom to achieve a high level of well-being. The notion of advantage deals with a person's real opportunities compared with others. The freedom to achieve well-being is closer to the notion of advantage than well-being itself. In judging the well-being of a person, Sen argues that it would be premature to limit the analysis to the characteristics of the goods possessed by individuals, family, or society. It thus becomes relevant to consider the functioning of a person, which he says is an achievement of a person: what he or she manages to do or to be. It reflects in part the state of a person (Sen 1987). "Commodity command is a *means* to the end of well-being, but can scarcely be the end itself" (Sen 1987 p.19). He thus begins with a close examination of the relationship between commodities and people, how people acquire them, what they can do with them, and by extension, a nation's wealth and what commodities (ultimately economic growth measured by GDP) represent to a nation. Sen's rationale is grounded in a richly diverse philosophy and classical economics. His avoidance of 'commodity fetishism' (Marx in Dreze and Sen 1989) has its roots in ancient literature such as Aristotle's *Nicomachean Ethics* [13] and the Sanskrit text *Brihadaranyaka Upanishad* [14]. The purpose of acquiring wealth, especially wealth for its own sake, is one that appears in ancient religious texts and philosophy, around the world. Sen's view that commodities are only a means to an end is seen in Aristotle: "...wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else" (Aristotle in Dreze and Sen 1989, p.12). The relationship between income and what income can buy, and being able to achieve various states of being and doing, are not direct and strong. They depend a lot on what Sen (1999) calls 'conversion factors', which are largely held constant in standard economic analysis.

This is the tipping point for Sen, the unequivocal shift, away from commodities, income, and opulence as the goal (or end) for individuals and society. He persuades us by reiterating the following argument in a variety of his works, namely that (a) income or the commodities by themselves do not provide well-being, and (b) incorrect extensions of utility as a measure of well-being have reinforced the use of commodities and income as proxies for evaluating well-being. Furthermore, utilitarianism, preoccupied with mental states, can misrepresent actual deprivations and personal circumstances due to 'mental conditioning' or 'adaptive expectations', making interpersonal comparisons of utility difficult, if not internally inconsistent. Commodities and income are thus instrumentally important, but not intrinsically so [15]. He thus explains the importance of not confusing ends and means.

In his discussion of the connections between the Capabilities Approach (CA) and the Basic Needs Approach (BNA) [16], Clark (2005, p. 3) says "... CA extends beyond the analysis of poverty and deprivation and often concerns itself with well-being generally." Furthermore, Clark discusses Sen's fivefold critique of the BNA based on Rawls, particularly that the BNA tended to lapse into a type of commodity fetishism. Sen (1999, p. 74):

...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 substantive freedoms—the capabilities—to choose a life one has reason to value. If the object is to concentrate on the individual's real opportunity to pursue her objectives (as Rawls explicitly recommends), then account would have to be taken not only of primary goods the persons respectively hold, but also of the relevant personal characteristics that govern the *conversion* of primary goods into the person's ability to promote her ends.-

Expanding the informational base

Sen acknowledges that incomes generated through the expansion of goods and services are necessary and central to human survival. However, it is not sufficient to provide well-being or quality of life, because, in judging quality of life, we need to consider what people are able to achieve. Sen notes that (a) different people and societies have differing levels of command to even earn an income—these he identifies in his concept of 'entitlements', (b) different people and societies differ in their ability to convert income and commodities into something they need/want valuable achievements—these constitute 'capabilities', (c) what they can do or achieve, something that is observable with their capabilities, are 'functionings', and

(d) being able to create opportunities for themselves and others, engaging in public action in forgoing certain goals, and making choices to influence public policy is 'agency'. This is essentially the CA, that is, the broader evaluative space which is internally plural and flexible.

In emphasizing the argument regarding the instrumental importance of commodities and income, Sen focusses on the question of how people *acquire* commodities and income. His plurality of focus in answering the preceding question becomes the concept of entitlements. According to Dreze and Sen (1989, p. 9), "In each social structure, given the prevailing legal, political, and economic arrangements, a person can establish command over some alternative commodity bundles... The set of alternative bundles of commodities over which a person can establish such command will be referred to as this person's 'entitlements.'" They discuss a variety of entitlements but primarily 1) legal rights of ownership, 2) Initial endowments (e.g., labor power), 3) Exchange entitlement (using labor power to work and thus exchanging it for a wage), and also 4) extended entitlements (social relations and other forms of social legitimacy). Of interest here is what expands or limits people's ability to use their entitlements to achieve various states of being (capabilities), and ultimately how these capabilities further their well-being (functioning). Thus, the interdependence between individuals, families, and society— amongst a host of other factors— are brought to bear in this framework of entitlements, capabilities, and functionings. "The focus on entitlements, which is concerned with command over *commodities*, has to be seen as only instrumentally important, and the concentration has to be, ultimately, on basic human capabilities" (Dreze and Sen 1989, p. 13).

Human Development, Development Studies and Poverty

Sen's alternative framework is closely related to the Human Development Index pioneered by Mahbub ul haq et al. (Stanton 2007) at the United Nations Development Programme (UNDP). According to Gasper (2002, pp. 435, 445),

...Capabilities Approach (CA), a humanist alternative theory, which has been widely accessible and adopted, ...has led to much empirical work, and ...has had significant policy impact. CA has been central to the Human Development Report Series (HDRs) launched for UNDP by Sen's close associate, the late Mahbub ul haq, and has subsequently influenced policy at the World Bank during the Wolfensohn era. ... His Human Development work gains a compass and robustness from his underlying

reconstruction of welfare theory, which in turn derives rationale and guidance from the rethinking of values and personhood in his philosophical work.

Dreze and Sen (1989) describe the various advantages a person has, as capabilities, not just opportunities but various beings and doings, that determine a person's state of being; the capability of a person is a set of alternative functioning bundles. Sen (1999, pp. 14, 15, 17) further elaborates:

An adequate conception of development must go much beyond the accumulation of wealth and the growth of gross national product and other income related variables. Without ignoring the importance of economic growth, we must look beyond it. ... Development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy. Expanding the freedoms that we have reason to value not only make our lives richer and more unfettered, but also allows us to be fuller social persons, exercising our own volitions and interacting with and influencing the world in which we live.

...the view of freedom that is being taken here involves both the *processes* that allow freedom of actions and decisions, and the actual *opportunities* that people have, given their personal and social circumstances. Unfreedom can arise either through inadequate processes (such as the violation of voting privileges or political and civil rights) or through inadequate opportunities that some people have for achieving what they minimally would like to achieve (including the absences of such elementary opportunities as the capability to escape premature mortality or preventable morbidity or involuntary starvation).

The conceptual taxonomies in CA that have replaced the utilitarian framework of welfare are: entitlements, capabilities, freedom, advantage, agency, and functionings. In essence, Sen has expanded the economic evaluative space, and shifted our thinking a) away from commodities towards entitlements (how we acquire command over commodities), b) away from utility to capabilities (what we can do and be derived from market and non-market arrangements), and c) away from income towards well-being and functioning.

Sen's work culminates as a seminal contribution to the study of development and poverty, where he urges a shift in attitudes regarding development. Sen's (1999, p. 35, 36) work on development and poverty has a global scope, not only for developing and poor countries:

... two general attitudes to the process of development, one that sees development as a "fierce" process, with much "blood, sweat and tears"—a world in which wisdom demands toughness. In particular, it demands calculated neglect of various concerns

that are seen as “soft-headed” ... the temptations to be *resisted* can include having social safety nets that protect the very poor, providing social services for the population at large ...

...This hard-knocks attitude contrasts with an alternative outlook that sees development as essentially a “friendly” process. Depending on the particular version of this attitude, the congeniality of the process is seen as exemplified by such things as mutually beneficial exchanges (of which Adam Smith spoke eloquently), or the working of social safety nets, or of political liberties, or of social development- or some combination of these activities.

Sen makes it explicit in his book on *Development as Freedom* that his view is much more compatible with the friendly approach.

Development is thus the expansion of opportunities that individuals in a society enjoy, and is a process of expanding human freedoms. Freedom in this view is both a primary end and a principal means of development, which Sen calls the constitutive and instrumental role respectively. The constitutive role relates to the importance of *substantive* freedom, where substantive freedom includes elementary capabilities like removing starvation, escapable morbidity, being literate, etc. So the constitutive role involves the expansion of these and other basic freedoms. The creation, existence, and access to opportunities are thus relational. The process of development should include removing a person's deprivation.

Sen makes it clear that such a broadening of assessment makes it unlikely that we can derive one measure of development. And that is— no doubt his goal— not to have a one size fits all type of ubiquitous measure. He emphasizes the importance of not discussing opportunity in a limited manner. The instrumental roles of freedom— as a means, not just an end— are that of: (1) Political freedom, (2) Economic facilities, (3) Social opportunities, (4) Transparency guarantees, and (5) Protective security.

Poverty for Sen is capability deprivation, and therefore an unfreedom. Removing such deprivations is a constitutive part of the process of development, and thus has intrinsic importance. According to Sen (1999, p. 37), the effectiveness of freedom, i.e. its instrumental role, “... concerns the way different kinds of rights, opportunities, and entitlements contribute to the expansion of human freedoms in general, and thus to promoting development... The effectiveness of freedom as an instrument lies in the fact that different kinds of freedom interrelate with one another, and freedom of one type may greatly help in advancing freedom of other types.”

Sen focuses on growth enabled social arrangements, where the latter are opportunities made by society such as education or health care, that influence individuals in that society to live better. The word 'social' is not to be considered in contrast to 'economic', but in fact the 'deep seated complementarities' between the two are central to Sen. This view of complementarities can be seen between market opportunities (economic growth) and social arrangements (socially provided), and by direct extension between markets, government, and furthermore governance.

He argues for focusing on social arrangements to improve one's life in order to take advantage of the economic growth. Individuals and their opportunities should not be viewed in isolation. Dreze and Sen (1995, p. 6) write that "The options that a person has greatly depends on relations with others and what the state and other institutions do. ... Social is not intended as a contrast to economic." Sen's foundation in social choice is seen here in his campaign— that when one evaluates the various roles played particularly by education and healthcare in promoting freedom of individuals and society, he argues that it is hard to evaluate the contributions of education and healthcare except through a broad social choice approach.

Sen's work on development and poverty through CA extends beyond its scope and application to developing countries, because CA deals with well-being (Clark 2005). Corbridge (2002, p. 185) in a brilliant discussion of the "...spaces of economic and moral evaluation that stand at the heart of Sen's work", writes:

...His insistence on the foundational nature of spaces of capabilities and substantive freedoms is linked to a continuing critique of other possible spaces (utility, household welfare, primary goods) where equalities or inequalities can be measured and compared. It is this insistence and critique that makes possible his more grounded interventions in the realm of social affairs.

From CA back to canonical foundations in economics

It is critical to understand Sen's examination of canonical ideas in classical economics. Of particular relevance is the model of the invisible hand, and that of the market mechanism. Sen exposes underlying problems in both these fundamental models, especially in how they limit the creation of opportunities. Self-interest is relied upon almost exclusively for the invisible hand mechanism to work. Self-interested motives, such as the pursuit of profit, become the basis for achieving both social efficiency and social optimality, i.e. outcomes at an aggregated scale. In

exposing this inconsistency, Sen calls for paying attention to other behavioral norms that might achieve goals that are different from efficiency or optimality. Speaking of markets, he says that they give opportunities to those who have common interests to be successful, but do not provide any mechanism for a harmonious solution for those with conflicting interests. Sen (1984, pp. 93, 96) points out that conflict "... is inseparably embedded in the congruent exercise." Rational choice theory (RCT) grants the entire mandate of rational choice, a truism based in a tautological relationship to the single behavioral canon of self-interest, including trying to accommodate moral and social behaviors within its logical structure (Sen 2002 in Walsh 2010).

Sen's deconstruction of the behavioral foundation of methodological individualism takes him back to Smith's conceptualization of the market mechanism, which leads Walsh (2010, p. 92) to bestow him with the informal title of "... a pioneer of the enriched, second phase, revival of classical economic theory." Sen's redressing of economic foundations gives us an expanded framework for the flourishing of real human beings. Having argued about the internally inconsistent foundation, he opens up the framework to include a rich array of solutions outside of efficiency and optimality, based in behavioral norms beyond profit maximization and choices based on interest, ability, substantive freedoms, and agency— and not utility.

His critical approach to deconstruction with courteousness, not being divisive, and openly inviting dialogue through his conversational style, have been important in garnering wide interest and attention to his framework. Sen has agitated from within, with an agenda to deepen and broaden the scope of economics. The early influences on his own intellectual development, where he observed the peaceful co-existence of three radically different economists, along with his proclivity to understand mainstream foundations in welfare economics, defined his work to agitate from within and on foundational questions. He has neither attacked the discipline from outside, nor associated himself with a school of thought. His goal has been to change the methodology and vision of economics as a whole. To this end, it could be argued that the reason Sen's successful agitation to clarify foundational concepts in economics and broaden the scope of economics, can be attributed to his purpose— reigniting moral philosophy and a normative vision of human well-being as the foundation of economics. In that sense, other schools of thought, particularly heterodox school which have created rich alternative frameworks of thought and methodology have been direct in their attacks of economics. These frontal attacks have been essential ingredients in Sen's own work, where he explicitly draws upon

Marxian thought, and has been an active member of feminist thought. Social economics is enriched by CA in particular and vice versa. Evolutionary economics, specifically Hayden's social fabric matrix approach [17]— which provides the conceptual explanation for the flows between cultural values, social beliefs, individual attitudes, social institutions, technology, and the environment— are all subsumed in Sen's capabilities, specifically his conversion factors. Perhaps it is Sen's personal characteristic of being harmonious, combined with his study of philosophy and use of persuasive logic that has made him agitate from within and with a foundational purpose.

Sen has a classical manner of intellectual engagement, which organically embeds a history of economic analysis with current theory and praxis. His intellectual style has fostered active interest and a considerable body of related work, from humanities scholars and social scientists, making for a trans-disciplinary appeal.

Perhaps it is this very courteousness of Sen that has invited criticism for being in the middle of the road. On this, in an interview with *The Guardian* (2001), Sen says: "That depends on how you define the road. There is a road which you can define in which I am in the middle, but part of my problem is to argue that people should be on a different road. I'm really trying to change the road. My frustration is that I have not been very successful in changing the focus of the debate."

In fact, it is his 'middle of the road' approach that is reflected in his conceptual framework and taxonomies that creates a broad appeal outside the scope of development studies. While Sen's own view might be that he has not been successful in changing the focus of the debate, the evidence reveals something vastly different.

Sen's approach has produced colossal applications to gender, social exclusion, health, disability, and child poverty, and sharpened the focus of policy makers and international institutions towards life expectancy, nutrition, health, marginalization of individuals and societies. Stewart, Saith and Harriss-White's (2007) edited volume, entitled *Defining Poverty in the Developing World*, provides a razor sharp methodological comparison and application of four approaches to evaluating and defining poverty, of which capabilities is one. The four approaches are: monetary, capabilities, social exclusion, and participatory approaches. The book also provides a comparative application of these four approaches to poverty in India and Peru. Sen's work, together with the prolific work by numerous scholars on human development, have resulted in the establishment of The Human Development and Capabilities Association (HDCA). He has also directly

contributed to the ethos of human development in the United Nations Human Development Program (UNDP) and that of the World Bank. The language of academic discourse and that of global institutions has fundamentally changed, where human development, well-being, institutions, and non-income constituents of development are now in central focus. Gasper (2000) credits Sen's deep and structured thinking about questions of major theoretical and policy implications, plus his style of communicating, as being a force in mobilizing a substantial network of researchers, practitioners, and scholars advancing the CA.

The most common criticisms leveled by heterodox and mainstream economists at Sen are about his treatment of the individual, and his lack of specificity in discussing capabilities respectively. He is critiqued for an overemphasis on individual agency to the exclusion of social and institutional forces that determine the very conditions and nature of an individual's agency. Robeyns (2003, p. 65) clarifies that functionings are properties of individuals, which makes it a normatively individualistic theory. Furthermore, Robeyns clarifies that the CA is not ontologically individualistic, i.e. functionings and capabilities are dependent on others, social norms, environmental factors, etc. She helps explain the nature of individual agency by distinguishing between capabilities being ethically individualistic and ontologically non-individualistic, which makes for desirable characteristics for well-being and inequality analysis. In an attempt to clarify definitions, particularly in the use of capabilities and functionings, Gasper (2002) provides specific modifications and enrichments to CA. While the CA is by definition internally plural and contextually derived, the most common criticism has been that Sen does not provide a list of capabilities. Sen's position on the listing of capabilities is best captured in a recent dialogue with Agarwal, Humphries and Robeyns in a special issue of *Feminist Economics* in tribute to Sen. Said Sen (2004):

The problem is not with listing important capabilities, but with insisting on one predetermined canonical list of capabilities, chosen by theorists without any general social discussion or public reasoning. To have such a fixed list, emanating from pure theory, is to deny the possibility of fruitful public participation ...social agitation, and open debates... I have nothing against the listing of capabilities but must stand up against a grand mausoleum to one fixed and final list of capabilities.

Diverging from Sen's minimalist universalism, according to Agarwal, Humphries and Robeyns (2003), Nussbaum, a feminist philosopher and longtime collaborator of Sen, agrees that the CA provides the "...relevant space of comparison for justice-related issues", (Agarwal, Humphries and Robeyns 2003, p. 6) and is far superior

to utilitarianism or resource-based analysis. However, according to these authors, Nussbaum has argued that for the "...CA to be more useful for exploring social justice, Sen needs to take a stand on which capabilities are important in our ethical judgments and our conceptions of justice... without such a list, CA cannot offer valuable normative guidance...." She provides a list of ten capabilities "... which she claims has universal relevance and emphasizes that it can be modified by context" (Agarwal, Humphries and Robeyns 2003, p. 6). Nussbaum's list of ten capabilities first appeared in her book *Women and Human Development: The Capabilities Approach* in 2000, and since then in several other works, most recently in her book *Creating Capabilities: The Human development Approach* in 2011. Clark (2005) discusses the clarification of the concept of capability by himself and others as it relates to the goodness of a capability set, distinguishing between basic, internal, and external capabilities. Nussbaum (2011) provides a clear discussion of the clarifications of basic, internal, and external capabilities along with chapters devoted to 'cultural diversity', and seeing capabilities approach as central in a global context amongst other relevant placements of capabilities.

Sen's work has prompted important debates mainly on extending and clarifying the concept of capabilities. Walsh (2007, 2010), Putnam (2004), Prendergast (2004), Stewart and Deneulin (2002), Corbridge (2002), Clark (2002, 2005), Nussbaum (2011), among numerous others, have explained the centrality of Sen's contributions to the entire field of development, while offering critiques of Sen's work as well. The debates that are central to CA have advanced this work by investigating the importance of long-run dynamics (Prendergast 2004), exploring a more extensive list of capabilities through field work (Clark 2003, Clark 2005, Fukuda Parr 2003, Majumdar and Subramanian 2001), examining collective action as influencing public policy (Fukuda-Parr 2003, Stewart and Deneulin 2002), and developing a complementary theory of obligations and duties (Gaspar 2004).

Conclusion

This paper has argued that Sen has created a habit of mind in economics that has engendered a social momentum in thought towards an unequivocal and direct focus on the flourishing of people based in a foundationally secure, broader evaluative framework. He has been able to achieve this (a) without experiencing a 'trade off' between formalism and subjectivism (normative inquiry), (b) by explicitly including values, ethics, and an argument for justice in new foundational economic concepts

that add to the spaces of economic evaluation (individual and societal), (c) by drawing upon extant fundamental works in economics and other social sciences, neither rejecting existing theories nor accepting all, and (d) by introducing new language into economics that tries to change the nature of our inquiry and to shift the 'road we are on'.

Sen's approach is pragmatic, not divisive, expansive, and yet contextual, it is humanistic. It is rather identified by contrasting away from perspectives that do not result in widely shared benefits for all of humanity, and towards perspectives that are about the human condition of suffering and well-being. The individual is seen as a social construction. In Sen, the moral imperative of focusing on the intrinsic value of basic capabilities precedes the instrumental value of engendering capabilities in his framework of human development and well-being.

His contributions have a global scope as a framework for economic thought as a whole and they have a broad, geographically global reach. Whether it can fundamentally change economic practice depends in part on clarifying all the concepts, defining them clearly and formally for use at the introductory level of economics. Concepts in the CA need to flow from one another; for example, the taxonomy on entitlements, capabilities, freedoms, agency, and functionings must be defined in a manner that suggests how they relate to each other. These concepts sometimes can seem as though they are interchangeable. Conversion factors must be a part of the conceptual framework as well.

While much work has been done on trying to specify a list of capabilities, elementary work which defines all the concepts with applications has not occurred as widely, at least not making its way into introductory textbooks in economics. The major disconnect between path-breaking contributions in economics and the dissemination of these concepts into undergraduate education seems to be where the rigidities exist. Why has the widely used human development indicator or the paradigm not made its way into any of the standard introductory economics textbooks? For a fundamental change to occur in economic thought, theory, and practice, there needs to be a cohesive project on rewriting the principles of economics by leading authors, where demand and supply models, efficient market outcomes, and rational decision making based on utility are classified as special cases. How can a fundamental change in the vision, scope, and method in economic thought and practice occur at the introductory level? This discussion and debate is not within the scope of this paper; however, given the nature of Sen's contributions,

this paper concludes that the change must occur at the introductory level, and that it has to happen in a manner that plants itself firmly within the discipline as a whole.

Altering the habit of the discipline, especially in the social sciences, may not be immediately evident or even measurable. By exploring Sen's work and his influence, this paper has argued that changing the habit of the mind is an essential pre-requisite for creating a social momentum that engenders alternative thinking, which is gradually subsumed into the mainstream by punctuating discourse over a period of time.

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Endnotes

[1] Des Gasper (2000) also uses the term 'persuasive' as a characteristic in describing Sen's intellectual style.

[2] See Julie Nelson's 2009 article for an in-depth analysis of Rational Choice Theory (RCT). Also see her chapter on choice vs. provisioning in Nelson and Ferber's book *Beyond Economic Man* (1993). See Sen's 1977 for a critique of rationality.

[3] Walsh (2003) has argued that Bentham was inconsistent about his interpretations of utility, a hearty version albeit. Walsh's discussion of Bentham's 'thick' and 'thin' utilitarianism (in neo-Walrasian theory), along with logical positivism, are particularly instructive to read.

[4] For a clear discussion of the meanings of methodological individualism, see Geoffrey M. Hodgson (2007).

[5] Much has been written about this problematic, especially its implications for social and economic policy making, arising from the overuse of a narrow and homogenous human identity. For more on the hypothetic-deductive methodology, see Mair and Miller (1991) for their chapter on the "Neoclassical School". For implications of the behavioral foundations of neoclassical economics see Sen 1983 and 1985.

[6] Ironically, schools of thought have sometimes had an unintended consequence of introducing a divisiveness that often accompanies deconstructionist critique of the received view.

[7] This paper not only makes use of relevant passages from Sen's vast body of work, but it also draws on forewords and introductions because of his distinctly different style of writing and use of persuasive language.

[8] For a clear and concise discussion of Sen's intellectual style see Gasper (2000), particularly Sen's multi-disciplinarity and fruitful balance between vivid cases, formal theorizing, and policy relevance, his gentle persuasion seen in the adoption of evocative but ambiguous, politically safe labels and an avoidance of seeking debate on all fronts, as well as a continuing project to debate with and influence economists, while upgrading parts of their inadequate picture of persons and retaining other parts (adapted from the abstract of Gasper 2000, p. 989)

[9] According to Jones and James D. Ryan's *Encyclopedia of Hinduism* (2007), The *Arthashastra*—the "Authoritative Treatise on Worldly Affairs" generally attributed to Kautilya (c. 300 B.C.E)—is an elaborate treatise on what statecraft and law meant for kings.

[10] Jones and James D. Ryan's in their *Encyclopedia of Hinduism* (2007), note that the *Upanishads* are teachings from student to teacher, dated roughly between seventh and third century B.C.E. "In many places these Upanishads make clear that the individual self, seen from the highest consciousness, is nothing but the ultimate reality in all its glory" (2007, p. 472)

[11] By utility problematic is meant the problems that arise from the fact that a) utility seeks to measure happiness or satisfaction, b) happiness or pleasure can arise from one's own interests or others, c) our ability to make choices cannot be captured by utility—it only captures the choice itself, d) people may adapt to situations and thus their utility is in fact adaptive, and e) proxies are used to represent utility as a metric in making social policies.

[12] Clark clearly explains Sen's objections to the choice-based utility approach to welfare analysis. For more on this see Clark (2005, pp. 3-4).

[13] For more on the discussion of tracing the roots of Sen's CA back to Aristotle, classical political economy, and Marx, see Clark (2005).

[14] *Brihadaranyaka Upanishad* dates back approximately to the 7th or 8th century B.C.E. Yajnavalkya, known as one of India's first philosophers in recorded history, is credited with being the author of major ancient Vedic texts. Sen notes that questions regarding the purpose of acquiring wealth, and whether it is a means or an end, appears even in the most ancient texts such as the exchange between Yajnavalkya and his wife Maitreyi, who is said to have asked her husband if the wealth of the entire world would make her immortal.

[15] In Sen, the term 'intrinsic' refers to things or goals that are valued for their own sake; the term instrumental, on the other hand, refers to things or goals that are valued because they serve as a means to achieve something else i.e. their value is derivative.

[16] Pioneered by Paul Streeten et al. (1981) and Frances Stewart (1985).

[17] See Natarajan, Elsner and Fullwiler (2009), and also Hayden (2006) for an explanation of the social fabric matrix approach to analysis using a holistic framework embedded in cultural values, social beliefs, social institutions, personal attitudes, technology, and ecological systems.

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Tara Natarajan is Associate Professor, Department of Economics, Saint Michael's College, Colchester USA (tnatarajan@smcvt.edu).