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"Review Essay: Amartya Sen's Contributions to Understanding Personal Welfare" by David Kiron

Amartya Sen's primary contributions to the literature on wellbeing, both critical and constructive, were produced during the 1970s and 1980s in a series of lectures, books and published articles. These are represented in many places in this volume, with focused attention in the following three places:

- A review by Robert Sugden, summarized in Part 7, looks at Sen's contributions to the literature on justice and equality, with comparisons to Rawls and Nozick. Sugden also discusses Sen's critique of the effort to construct a social welfare function based on models which assume that relevant economic goals can be discerned through the preferences revealed in purchasing behavior.
- Two long essays by David Crocker, summarized in Section 8, discusses the work that Sen developed with philosopher Martha Nussbaum. The focus here is on an ethic to be used in plans and assessments of economic development. Sen and Nussbaum base this ethic on the Aristotle-inspired concept of *capabilities* (a subtle term that is discussed in each of the essays).
- This essay, "Amartya Sen's Contributions to Understanding Personal Welfare," was written to give more coverage to two topics. One is Sen's major critiques of the revealed preference theory of behavior (the theory that undergirds the type of welfarism that Sen criticizes, as discussed by Sugden). The other is his alternative theory of wellbeing -- the concept that Sen calls "human advantage," within which he distinguishes between standard of living, wellbeing achievement, and agency success. This set of distinctions provides an important way of assessing the contributions of economic activity to human wellbeing.

CRITIQUES OF REVEALED PREFERENCE THEORY

The revealed preference approach to behavior is widely accepted as the basis for the microeconomic theory of behavior. It asserts that a consumer reveals her preferences by what she chooses to buy. Sen's critique of this approach focuses on its impoverished informational foundations, specifically its assumptions concerning rationality and self-interest. He has described the theory and its implications as follows:

If you are observed to choose x rejecting y , you are declared to have “revealed” a preference for x over y . Your personal utility is then defined as simply a numerical representation of this “preference,” assigning a higher utility to a “preferred” alternative. With this set of definitions you can hardly escape maximizing your own utility, except through inconsistency.¹

Revealed preference theory appears to offer a circular definition of behavior, in the sense that a given behavior can be explained in terms of preferences which are then explained in terms of behavior. However, it is not a meaningless theory since it is theoretically possible that an irrational person would reveal inconsistent preferences.

In his 1973 article, “Behavior and the Concept of Preference,”² Sen argues against the fundamental assumption of the revealed preference approach -- that personal choice, as a matter of fact, reveals personal preferences. He uses the classic Prisoner dilemma story to illustrate that selfish choice may not only fail to reveal a person’s real preferences, but may also fail to maximize utility. The story is one in which police interrogate separately two prisoners, who are known to have been co-perpetrators of a crime. If both prisoners act selfishly, then each will confess to the crime and receive a sentence that is less severe than the non-confessor would receive if only one of them confessed, but more severe than the one each would receive if neither confessed. Both prisoners would prefer to receive the least severe sentence, but the rational choice for each (assuming selfishness on the part of the other) is to confess. In fact, both prisoners would be best off if each acted to maximize the welfare of his partner.

Sen develops this objection further and adds new criticisms in a 1977 article³ in which he argues that economic agents sometimes want different preferences than the ones they have. Carnivores who wish that they liked vegetarian foods more, or smokers who wish that they did not enjoy smoking so much, have preferences that cannot be represented within the revealed preference approach. As a result, the theory misses important information that is relevant to understanding and assessing personal welfare.

Implicit in revealed preference theory is the idea that personal choice is identical to personal welfare. Sen argues against this by distinguishing the concept of sympathy from that of commitment. “If the knowledge of torture of others makes you sick, it is a case of sympathy; if it does not make you feel personally worse off, but you think it is wrong and you are ready to do something about it, it is a case of commitment.”⁴ The existence of commitment has a crucial effect on many economic issues, including problems of work motivation, optimal allocation of public goods, and collective bargaining. Sympathy is more closely tied to egoistic concerns but is linked to the welfare of others, while commitment is linked to the welfare of others, but is not necessarily connected with an individual’s own subjective wellbeing. Economics treats individuals as “social morons” when it ignores the role of commitments in human behavior.

Sen objects that revealed preference theory inappropriately uses a single preference ordering to represent a person’s welfare, his idea of what should be done, and his actual choices and behavior. All of a person’s interests are thereby reduced to selfish concerns. Efforts to broaden this approach to include other-regarding preferences, such as Harsanyi’s distinction between

what a person thinks is good from an impartial point of view and what the person thinks is good from a personal point of view (a person's ethical and subjective preferences, respectively) represents an admirable if unsuccessful attempt to bring the breadth of human experience into economic theory.⁵ The concept of commitment demonstrates that the range of human concerns includes more than the polarities -- concern for oneself, on the one hand, and for all of society, on the other. Individuals may also act according to a sense of commitment to their neighborhood or social class.

Sen then expanded his critique of revealed preference theory to include a range of objections to the rationality assumption and the theory from which it sprang -- the utilitarian conception of wellbeing. These criticisms appeared in his 1985 article, "Well-Being, Agency and Freedom."⁶ Due to space limitations, only two of these critiques are represented here.

Sen asks whether the concept of wellbeing is best understood in terms of utility. His answer is that we must be careful to avoid confusing "wellbeing" with "being well off," a confusion that could occur if the state of a person is confused with the extent of his or her possessions. The same confusion might also occur if wellbeing is identified with what goes in the mind of an individual. Classical utilitarians believed that such mental states as feeling pleasure constitute the whole of wellbeing. Sen argues that utilitarian conceptions of human welfare typically imply wellbeing judgments that suffer from "physical condition neglect".⁷ A person who is ill-fed, undernourished, and unsheltered may learn to have limited desires, taking pleasure in scarce opportunities for small mercies. Yet preference based accounts of wellbeing discount the compromises that must be made with unpleasant circumstance. From a broad perspective, an individual who wants less and expects little due to poor circumstance may be disadvantaged when better outcomes are possible.

Another critique from "Well-Being, Agency and Freedom" is that the mainstream economic theory of consumer behavior judges the contribution of a set of feasible choices according to the value of the best element in the set. Thus, if all other elements besides the best one are eliminated, there is no loss in value. In reality, however, individual wellbeing is also enhanced by the opportunity to make choices. A more adequate account of wellbeing would place a higher value on this freedom.

SEN'S ALTERNATIVE THEORY: CAPABILITIES AND FUNCTIONINGS

Sen is interested in developing a theory of the good life that can be used to assess a person's ability to achieve valuable functionings. This is not an abstract theory unmoored from daily concerns. It is specifically designed for application to such social problems as inequality and poverty.⁸ Sen believes that one significant advantage of his theory over rival conceptions of human welfare is its directness. It provides a framework for assessing what people actually succeed in doing or being, rather than using consumption levels and income as proxies for wellbeing. Others have found his approach useful; for instance, the United Nations Development Programme uses the capability approach in its assessment of national welfare and also in various development strategies (see Part 10).

The origins of Sen's capability approach can be traced to the Aristotelian conception of human good, which holds that humans have a unique function in the world, and defines happiness in terms of virtuous activities. However, the ability to achieve valued functionings in Aristotle's account of the good is different from Sen's notion of capabilities. The latter is not committed to so restrictive a claim as Aristotle's: that there is a single, correct list of valued functionings (i.e., activities) that comprises good living.

One issue that Sen takes as basic to the set of problems he is addressing concerns the problem of ensuring that individuals have a wide range of desirable, feasible choices. A theory of human advantage must be able to distinguish between the experience of a person who is involuntarily starving and one who is voluntarily fasting. As a result, Sen's analysis of human advantage consists of many dimensions, including but not limited to the dimensions of pleasure, preference satisfaction, and wellbeing. In Sen's view, human advantage is a function both of a person's capability set (representing the freedom to achieve one's goals and the freedom to achieve happiness) and of a chosen combination of functionings (success in achieving one's goals and achieved levels of happiness). Certain functionings are intrinsically valuable, whether or not they are chosen or feasible; these include health related beings and doings, such as being well-nourished or taking care of oneself.

In 1985, when Sen delivered the prestigious Tanner lectures on the topic of the standard of living,⁹ he distinguished three components of human advantage. The narrowest component is a *standard of living*, which concerns an individual's self-interest, but does not admit the effects of sympathy or the emotions that arise in connection with others. The pleasure you receive from eating your favorite ice cream contributes to your standard of living; that is, the pleasure, not the ice cream, is a constituent of your standard of living. However, this term does not cause sympathy-based happiness (e.g., when your favorite political prisoner is freed). A somewhat broader notion is the concept of *personal wellbeing*, which also incorporates sympathy-based affect. Wellbeing includes both the enjoyment of ice cream and the happiness you receive from your favorite political prisoner being freed.

Broadest of all is the notion of *agency*, which focuses on one's success in the pursuit of any objective that one has reason to promote, whether or not one receives any psychic benefit or loss in the process of achieving it. For instance, if you sacrifice yourself for some cause that you believe in, there may be no contribution to wellbeing, but you would have agency success.

The relation between these components is complex. In general, wellbeing includes standard of living; however, agency is a somewhat different type of category, and may or may not overlap with the others. Certain agency goals may be strictly personal, and pursuing them might bring increases in both wellbeing and standard of living. However, it is not necessary that assessments of wellbeing and judgments of achievement lead in the same direction. People may have objectives other than the pursuit of their own wellbeing. Similarly, judging achievement of either wellbeing or agency success is a different process from and may have different results from the evaluation of the freedom to achieve, since a person can be advantaged by having more freedom but still end up achieving less.¹⁰

Sen's work is of critical importance to recent efforts to reconceptualize human welfare and, thus, to many parts of this book. It should be clear that in his analysis different aspects of human advantage require distinct modes of evaluation. Sen is thus one of the few economists who has laid out a conceptual framework for discussions of multidimensional measures of national welfare (see Part 10 essay).

Sen's work is also significant for recognizing the economic value of commitment and of social norms. His arguments concerning commitment provocatively suggest that the question of whether the pursuit of self-interest maximizes the social good fails to account for intermediary interests that influence both individual and national welfare. For instance, commitments to community, social norms and moral codes of behavior all influence economic activity. These topics and more will be discussed in Part 6.

Notes

1. Amartya Sen, "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory", *Philosophy and Public Affairs* (1977): 317-344. The quotation is from page 322.
2. Amartya Sen, "Behavior and the Concept of Preference," *Economica* 40(1973): 241-259.
3. Sen, "Rational Fools," *op. cit.*
4. Sen, "Rational Fools," *op. cit.*, p. 326.
5. John Harsanyi, "Cardinal Welfare, Individualistic Ethics, and Interpersonal Comparisons of Utility," *Journal of Political Economy* 63(1955): 309-321.
6. Amartya Sen, "Well-being, Agency and Freedom: The Dewey Lectures 1984," *The Journal of Philosophy* 82(1985): 169-221.
7. This term also appears in Amartya Sen, *Commodities and Capabilities* (Delhi: Oxford University Press, 1987), Chapter III, 12-16.
8. Exposition of this application can be found in Crocker's article, summarized in Part 8.
9. These lectures were published with commentary in Amartya Sen, *The Standard of Living*, Geoffrey Hawthorn, ed., (Cambridge and New York: Cambridge University Press, 1987).
10. These ideas are developed in Amartya Sen, "Capability and Well-Being" in *The Quality of Life*, Martha Nussbaum and Amartya Sen, eds., (Oxford: Clarendon Press, 1993), 30-53.