CHAPTER 3

FREEDOM AND THE FOUNDATIONS OF JUSTICE

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Let me begin with a parable. Annapurna wants someone to clear up the garden, which has suffered from past neglect, and three unemployed laborers—Dinu, Bishanno and Rogini—all very much want the job. She can hire any one of them, but the work is indivisible and she cannot distribute it among the three. Annapurna would get much the same work done for much the same payment from any of them, but being a reflective person, she wonders who would be the right person to employ.

She gathers that while all of them are poor, Dinu is the poorest of the three; everyone agrees on that fact. This makes Annapurna rather inclined to hire him ("What can be more important," she asks herself, "than helping the poorest?").

However, she also gathers that Bishanno has recently been impoverished and is psychologically most depressed about his predicament. Dinu and Rogini are, in contrast, experienced in being poor and are used to it. Everyone agrees that Bishanno is the unhappiest of the three and would certainly gain more in happiness than the other two. This makes Annapurna rather favorable to the idea of giving the job to Bishanno ("Surely removing unhappiness has to be," she tells herself, "the first priority").

But Annapurna is also told that Rogini is debilitated from a chronic ailment—borne stoically—and could use the money to be earned to rid herself of that terrible disease. It is not denied that Rogini is less poor than the others (though certainly poor) and also

not the unhappiest since she bears her deprivation rather cheerfully, used—as she has been—to being deprived all her life (coming from a poor family, and having been trained to reconcile herself to the general belief that, as a young woman, she must neither grumble nor entertain much ambition). Annapurna wonders whether, nevertheless, it might not be right to give the job to Rogini ("It would make the biggest difference," she surmises, "to the quality of life and freedom from illness").

Annapurna wonders what she really should do. She recognizes that if she knew only the fact that Dinu is the poorest (and knew nothing else), she would have definitely opted for giving the work to Dinu. She also reflects that had she known only the fact that Bishanno is the unhappiest and would get the most pleasure from the opportunity (and knew nothing else), she would have had excellent reasons to hire Bishanno. And she can also see that if she was apprised only of the fact that Rogini's debilitating ailment could be cured with the money she would earn (and knew nothing else), she would have had a simple and definitive reason for giving the job to her. But she knows all the three relevant facts, and has to choose among the three arguments, each of which has some pertinence.

There are a number of interesting issues of practical reason in this simple example, but the point I want to emphasize here is that the differences in the principles involved relate to the particular information that is taken to be decisive. If all the three facts are known, the decision rests on which information is given the most weight. The principles thus can best be seen in terms of their respective "informational bases." Dinu's income-egalitarian case focuses on income-poverty; Bishanno's classical utilitarian case concentrates on the metric of pleasure and happiness; Rogini's quality-of-life case centers on the kinds of life the three respectively can lead. The first two arguments are among the most discussed and most used in the economic and ethical literatures. I shall present some arguments for the third. But for the moment my intention is very modest: only to illustrate the critical importance of the informational bases of competing principles.

In the discussion that follows, I comment on both (1) the general question of the importance of the informational base for evaluative judgments and (2) the particular issues of the adequacy of the

respective informational bases of some standard theories of social ethics and justice, in particular utilitarianism, libertarianism and Rawlsian theory of justice. While there is clearly much to be learned from the way the informational issue is dealt with in these major approaches in political philosophy, it is also argued that each of the informational bases respectively used—explicitly or implicitly—by utilitarianism, libertarianism and Rawlsian justice has serious flaws, if substantive individual freedoms are taken to be important. This diagnosis motivates the discussion of an alternative approach to evaluation that focuses directly on freedom, seen in the form of individual capabilities to do things that a person has reason to value.

It is this last, constructive part of the analysis that is extensively utilized in the rest of the book. If the reader is not much interested in the critiques of other approaches (and the respective advantages and difficulties of utilitarianism, libertarianism or Rawlsian justice), there would be no particular problem in skipping these critical discussions and proceeding directly to the latter part of the chapter.

INCLUDED AND EXCLUDED INFORMATION

Each evaluative approach can, to a great extent, be characterized by its informational basis: the information that is needed for making judgments using that approach and—no less important—the information that is "excluded" from a direct evaluative role in that approach.[1] Informational *exclusions* are important constituents of an evaluative approach. The excluded information is not permitted to have any direct influence on evaluative judgments, and while this is usually done in an implicit way, the character of the approach may be strongly influenced by insensitivity to the excluded information.

For example, utilitarian principles rest ultimately on utilities only, and even though much instrumental account may be taken of incentives, it is utility information that is seen, eventually, as the only proper basis for evaluation of states of affairs, or for the assessment of actions or rules. In utilitarianism's classical form, as developed particularly by Jeremy Bentham, utility is defined as pleasure, or happiness, or satisfaction, and everything thus turns on these mental achievements.[2] Such potentially momentous matters as individual freedom, the fulfillment or violation of recognized rights, aspects of quality of life not adequately reflected in the statistics of pleasure,

cannot directly swing a normative evaluation in this utilitarian structure. They can have an indirect role only *through* their effects on utility numbers (that is, only to the extent that they may have an impact on mental satisfaction, pleasure or happiness). Furthermore, the aggregative framework of utilitarianism has no interest in—or sensitivity to—the actual *distribution* of utilities, since the concentration is entirely on the *total* utility of everyone taken together. All this produces a very limited informational base, and this pervasive insensitivity is a significant limitation of utilitarian ethics.[3]

In modern forms of utilitarianism, the content of "utility" is often seen differently: not as pleasure, satisfaction or happiness, but as the fulfillment of desire, or as some kind of representation of a person's choice behavior.[4] I shall consider these distinctions presently, but it is not hard to see that this redefinition of utility does not in itself eliminate the indifference to freedoms, rights and liberties that is a characteristic feature of utilitarianism in general.

Turning now to libertarianism, it has, in contrast with utilitarian theory, no direct interest either in happiness or in desire fulfillment, and its informational base consists entirely of liberties and rights of various kinds. Even without going into the exact formulas that are used by utilitarianism or by libertarianism respectively to characterize justice, it is clear from the mere contrast of their informational bases that they must take very different—and typically incompatible—views of justice.

In fact, the real "bite" of a theory of justice can, to a great extent, be understood from its informational base: what information is—or is not—taken to be directly relevant.[5] For example, classical utilitarianism tries to make use of the information of different persons' respective happiness or pleasures (seen in a comparative framework), whereas libertarianism demands compliance with certain rules of liberty and propriety, assessing the situation through information on this compliance. They go in different directions, largely driven by what information they respectively take as being central to judging the justice or acceptability of different social scenarios. The informational basis of normative theories in general, and of theories of justice in particular, is of decisive significance, and can be the crucial point of focus in many debates on practical policies (as will be seen in arguments to be taken up later).

In the next few pages, the informational bases of some distin-

guished approaches to justice will be examined, beginning with utilitarianism. The merits and limitations of each approach can, to a great extent, be understood by examining the reach and limits of its informational base. On the basis of the problems encountered in the different approaches that are commonly used in the context of evaluation and policy making, an alternative approach to justice will be briefly outlined. It concentrates on the informational base of individual freedoms (not utilities), but incorporates sensitivity to consequences which, I would argue, is an appreciable asset of the utilitarian perspective. I shall examine this "capability approach" to justice more fully later on in the present chapter and in the next one.

UTILITY AS AN INFORMATIONAL BASE

The informational base of standard utilitarianism is the utility sum total in the states of affairs. In the classical, Benthamite form of utilitarianism, the "utility" of a person stands for some measure of his or her pleasure or happiness. The idea is to pay attention to each person's well-being, and in particular to see well-being as essentially a mental characteristic, viz., the pleasure or happiness generated. Interpersonal comparisons of happiness cannot, of course, be done very precisely, nor through standard scientific methods.[6] Nevertheless, most of us do not find it absurd (or "meaningless") to identify some people as being decidedly less happy and more miserable than others.

Utilitarianism has been the dominant ethical theory—and, inter alia, the most influential theory of justice—for much over a century. The traditional economics of welfare and of public policy was for a very long time dominated by this approach, initiated in its modern form by Jeremy Bentham, and pursued by such economists as John Stuart Mill, William Stanley Jevons, Henry Sidgwick, Francis Edgeworth, Alfred Marshall and A. C. Pigou.[7]

The requirements of utilitarian evaluation can be split into three distinct components. The first component is "consequentialism" (not a prepossessing word), and it stands for the claim that all choices (of actions, rules, institutions, and so on) must be judged by their consequences, that is, by the results they generate. This focus on the consequent state of affairs denies particularly the tendency of some normative theories to regard some principles to be right *irrespective* of their results. In fact, it goes further than demanding only consequence-sensitivity, since it rules out that anything other than consequences can ultimately matter. How much of a restriction is imposed by consequentialism has to be judged further, but it is worth mentioning here that this must partly depend on what is or is not included in the list of consequences (for example, whether an action performed can be seen as one of the "consequences" of that action, which—in an obvious sense—it clearly is).

The second component of utilitarianism is "welfarism," which restricts the judgments of state of affairs to the utilities in the respective states (paying no direct attention to such things as the fulfillment or violation of rights, duties, and so on). When welfarism is combined with consequentialism, we get the requirement that every choice must be judged by the respective utilities it generates. For example, any action is judged by the consequent state of affairs (because of consequentialism), and the consequent state of affairs is judged by utilities in that state (because of welfarism).

The third component is "sum-ranking," which requires that the utilities of different people be simply summed together to get their aggregate merit, without paying attention to the distribution of that total over the individuals (that is, the utility sum is to be maximized irrespective of the extent of inequality in the distribution of utilities). The three components together yield the classic utilitarian formula of judging every choice by the sum total of utilities generated through that choice.[8]

In this utilitarian view, *injustice* consists in aggregate loss of utility compared with what could have been achieved. An unjust society, in this view, is one in which people are significantly less happy, taken together, than they need be. The concentration on happiness or pleasure has been removed in some modern forms of utilitarianism. In one variation, utility is defined as desire fulfillment. In this view, what is relevant is the strength of the desire that is being fulfilled, and not the intensity of the happiness that is generated.

Since neither happiness nor desire is very easy to measure, utility is often defined in modern economic analysis as some numerical representation of a person's observable *choices*. There are some technical issues in representability, which need not detain us here. The basic formula is this: if a person would choose an alternative x over

another, y, then and only then that person has more utility from x than from y. The "scaling" of utility has to follow this rule, among others, and in this framework it is not substantively different to affirm that a person has more utility from x than from y than to say that she would choose x given the choice between the two.[9]

MERITS OF THE UTILITARIAN APPROACH

The procedure of choice-based accounting has some general merits as well as demerits. In the context of utilitarian calculus, its major demerit is that it does not lead immediately to any way of making interpersonal comparisons, since it concentrates on each individual's choice seen separately. This is obviously inadequate for utilitarianism, since it cannot accommodate sum-ranking, which does require interpersonal comparability. As a matter of fact, the choice-based view of utility has been used mainly in the context of approaches that invoke welfarism and consequentialism only. It is a kind of utility-based approach without being utilitarianism proper.

While the merits of the utilitarian approach can be subjected to some debate, it does make insightful points, in particular:

1) the importance of taking account of the *results* of social arrangements in judging them (the case for consequence-sensitivity may be very plausible even when full consequentialism seems too extreme);

2) the need to pay attention to the *well-being* of the people involved when judging social arrangements and their results (the interest in people's well-being has obvious attractions, even if we disagree on the utility-centered mental-metric way of judging well-being).

To illustrate the relevance of results, consider the fact that many social arrangements are advocated because of the attractions of their constitutive features, without any note being taken of their consequential outcomes. Take property rights. Some have found it to be constitutive of individual independence and have gone on to ask that no restriction be placed on the ownership, inheritance and use of property, rejecting even the idea of taxing property or income. Others, on the opposite side of the political divide, have been repelled by the idea of inequalities of ownership—some having so much while others have so little—and they have gone on to demand the abolition of private property.

One can indeed entertain different views on the intrinsic attractions or repulsive features of private property. The consequentialist approach suggests that we must not be swayed only by these features, and must examine the consequences of having—or not having—property rights. Indeed, the more influential defenses of private property tend to come from pointers to its positive consequences. It is pointed out that private property has proved to be, in terms of results, quite a powerful engine of economic expansion and general prosperity. In the consequentialist perspective that fact must occupy a central position in assessing the merits of private property. On the other side, once again in terms of results, there is also much evidence to suggest that unconstrained use of private property—without restrictions and taxes—can contribute to entrenched poverty and make it difficult to have social support for those who fall behind for reasons beyond their control (including disability, age, illness and economic and social misfortune). It can also be defective in ensuring environmental preservation, and in the development of social infrastructure.[10]

Thus, neither of the purist approaches emerges unscathed in terms of analysis by results, suggesting that arrangements regarding property may have to be judged, at least partly, by their likely consequences. This conclusion is in line with the utilitarian spirit, even though full utilitarianism would insist on a very specific way of judging consequences and their relevance. The general case for taking full note of results in judging policies and institutions is a momentous and plausible requirement, which has gained much from the advocacy of utilitarian ethics.

Similar arguments can be presented in favor of taking note of human well-being in judging results, rather than looking only at some abstract and alienated characteristics of states of affairs. The focusing on consequences and on well-being, thus, have points in their favor, and this endorsement—it is only a partial endorsement—of the utilitarian approach to justice relates directly to its informational base.

LIMITATIONS OF THE UTILITARIAN PERSPECTIVE

The handicaps of the utilitarian approach can also be traced to its informational base. Indeed, it is not hard to find fault with the utilitarian conception of justice.[11] To mention just a few, the following would appear to be among the deficiencies that a fully utilitarian approach yields.

1) *Distributional indifference:* The utilitarian calculus tends to ignore inequalities in the distribution of happiness (only the sum total matters—no matter how unequally distributed). We may be interested in general happiness, and yet want to pay attention not just to "aggregate" magnitudes, but also to extents of inequalities in happiness.

2) *Neglect of rights, freedoms and other non-utility concerns:* The utilitarian approach attaches no intrinsic importance to claims of rights and freedoms (they are valued only indirectly and only to the extent they influence utilities). It is sensible enough to take note of happiness, but we do not necessarily want to be happy slaves or delirious vassals.

3) *Adaptation and mental conditioning:* Even the view the utilitarian approach takes of individual well-being is not very robust, since it can be easily swayed by mental conditioning and adaptive attitudes.

The first two criticisms are rather more immediate than the third, and perhaps I should comment a little only on the third—the issue of mental conditioning and its effect on the utilitarian calculus. Concentrating exclusively on mental characteristics (such as pleasure, happiness or desires) can be particularly restrictive when making *interpersonal* comparisons of well-being and deprivation. Our desires and pleasure-taking abilities adjust to circumstances, especially to make life bearable in adverse situations. The utility calculus can be deeply unfair to those who are persistently deprived: for example, the usual underdogs in stratified societies, perennially oppressed minorities in intolerant communities, traditionally precarious sharecroppers living in a world of uncertainty, routinely overworked sweatshop

employees in exploitative economic arrangements, hopelessly subdued housewives in severely sexist cultures. The deprived people tend to come to terms with their deprivation because of the sheer necessity of survival, and they may, as a result, lack the courage to demand any radical change, and may even adjust their desires and expectations to what they unambitiously see as feasible.[12] The mental metric of pleasure or desire is just too malleable to be a firm guide to deprivation and disadvantage.

It is thus important not only to take note of the fact that in the scale of utilities the deprivation of the persistently deprived may look muffled and muted, but also to favor the creation of conditions in which people have real opportunities of judging the kind of lives they would like to lead. Social and economic factors such as basic education, elementary health care, and secure employment are important not only on their own, but also for the role they can play in giving people the opportunity to approach the world with courage and freedom. These considerations require a broader informational base, focusing particularly on people's capability to choose the lives they have reason to value.

JOHN RAWLS AND THE PRIORITY OF LIBERTY

I turn now to the most influential—and in many ways the most important—of contemporary theories of justice, that of John Rawls.[13] His theory has many components, but I start with a particular requirement that John Rawls has called "the priority of liberty." Rawls's own formulation of this priority is comparatively moderate, but that priority takes a particularly sharp form in modern libertarian theory, which in some formulations (for example, in the elegantly uncompromising construction presented by Robert Nozick) puts extensive classes of rights—varying from personal liberties to property rights—as having nearly complete political precedence over the pursuit of social goals (including the removal of deprivation and destitution).[14] These rights take the form of "side constraints," which simply must not be violated. The procedures that are devised to guarantee rights, which are to be accepted no matter what consequences follow from them, are simply not on the same plane (so the argument goes) as the things that we may judge to be desirable (utilities, well-

being, equity of outcomes or opportunities, and so on). The issue, then, in this formulation, is not the *comparative importance* of rights, but their *absolute priority.*

In less demanding formulations of "priority of liberty" presented in liberal theories (most notably, in the writings of John Rawls), the rights that receive precedence are much less extensive, and essentially consist of various personal liberties, including some basic political and civil rights.[15] But the precedence that these more limited rights receive is meant to be quite complete, and while these rights are much more confined in coverage than those in libertarian theory, they too cannot be in any way compromised by the force of economic needs.

The case for such a complete priority can be disputed by demonstrating the force of other considerations, including that of economic needs. Why should the status of intense economic needs, which can be matters of life and death, be lower than that of personal liberties? This issue was forcefully raised in a general form by Herbert Hart a long time ago (in a famous article in 1973). John Rawls has acknowledged the force of this argument in his later book *Political Liberalism* and suggested ways of accommodating it within the structure of his theory of justice.[16]

If the "priority of liberty" is to be made plausible even in the context of countries that are intensely poor, the content of that priority would have to be, I would argue, considerably qualified. This does not, however, amount to saying that liberty should not have priority, but rather that the form of that demand should not have the effect of making economic needs be easily overlooked. It is, in fact, possible to distinguish between (1) Rawls's strict proposal that liberty should receive overwhelming *precedence* in the case of a conflict, and (2) his general procedure of separating out personal liberty from other types of advantages for *special treatment.* The more general second claim concerns the need to assess and evaluate liberties differently from individual advantages of other kinds.

The critical issue, I would submit, is not complete precedence, but whether a person's liberty should get just the same kind of importance *(no more)* that other types of personal advantages—incomes, utilities and so on—have. In particular, the question is whether the significance of liberty for the society is adequately reflected by the weight that the person herself would tend to give to it in judging her

own *overall* advantage. The claim of preeminence of liberty (including basic political liberties and civil rights) disputes that it is adequate to judge liberty simply as an advantage—like an extra unit of income—that the person herself receives from that liberty.

In order to prevent a misunderstanding, I should explain that the contrast is *not* with the value that citizens attach—and have reason to attach—to liberty and rights in their *political* judgments. Quite the contrary: the safeguarding of liberty has to be ultimately related to the general political acceptability of its importance. The contrast, rather, is with the extent to which having more liberty or rights increases an individual's own *personal* advantage, which is only a *part* of what is involved. The claim here is that the political significance of rights can far exceed the extent to which the personal advantage of the holders of these rights is enhanced by having these rights. The interests of others are also involved (since liberties of different people are interlinked), and also the violation of liberty is a procedural transgression that we may have reason to resist as a bad thing in itself. There is, thus, an asymmetry with other sources of individual advantage, for example incomes, which would be valued largely on the basis of how much they contribute to the respective personal advantages. The safeguarding of liberty and basic political rights would have the procedural priority that follows from this asymmetric prominence.

This issue is particularly important in the context of the constitutive role of liberty and political and civil rights in making it possible to have public discourse and communicative emergence of agreed norms and social values. I shall examine this difficult issue more fully in chapters 6 and 10.

ROBERT NOZICK AND LIBERTARIANISM

I return now to the issue of complete priority of rights, including property rights, in the more demanding versions of libertarian theory. For example, in Nozick's theory (as presented in *Anarchy, State and Utopia*), the "entitlements" that people have through the exercise of these rights cannot, in general, be outweighed because of their results—no matter how nasty those results may be. A very exceptional exemption is given by Nozick to what he calls "catastrophic

moral horrors," but this exemption is not very well integrated with the rest of Nozick's approach, nor is this exemption matched with a proper justification (it remains quite ad hoc). The uncompromising priority of libertarian rights can be particularly problematic since the actual consequences of the operation of these entitlements can, quite possibly, include rather terrible results. It can, in particular, lead to the violation of the substantive freedom of individuals to achieve those things to which they have reason to attach great importance, including escaping avoidable mortality, being well nourished and healthy, being able to read, write and count and so on. The importance of these freedoms cannot be ignored on grounds of the "priority of liberty."

For example, as is shown in my *Poverty and Famines*, even gigantic famines can result without anyone's libertarian rights (including property rights) being violated.[17] The destitutes such as the unemployed or the impoverished may starve precisely because their "entitlements"—legitimate as they are—do not give them enough food. This might look like a special case of a "catastrophic moral horror," but horrors of *any* degree of seriousness—all the way from gigantic famines to regular undernourishment and endemic but nonextreme hunger—can be shown to be consistent with a system in which no one's libertarian rights are violated. Similarly, deprivation of other types (for example, the lack of medical care for curable illnesses) can coexist with all libertarian rights (including rights of property ownership) being fully satisfied.

The proposal of a consequence-independent theory of political priority is afflicted by considerable indifference to the substantive freedoms that people end up having—or not having. We can scarcely agree to accept simple procedural rules *irrespective* of consequences—no matter how dreadful and totally unacceptable these consequences might be for the lives of the people involved. Consequential reasoning, in contrast, can attach great importance to the fulfillment or violation of individual liberties (and may even give it a specially favored treatment) without ignoring other considerations, including the actual impact of the respective procedures on the substantive freedoms that people actually have.[18] To ignore consequences in general, including the freedoms that people get—or do not get—to exercise, can hardly be an adequate basis for an acceptable evaluative system.

In terms of its informational basis, libertarianism as an approach is just too limited. Not only does it ignore those variables to which utilitarian and welfarist theories attach great importance, but it also neglects the most basic freedoms that we have reason to treasure and demand. Even if liberty is given a special status, it is highly implausible to claim that it would have as absolute and relentless a priority as libertarian theories insist it must have. We need a broader informational basis of justice.

UTILITY, REAL INCOME AND INTERPERSONAL COMPARISONS

In traditional utilitarian ethics, "utility" is defined simply as happiness or pleasure, and sometimes as the fulfillment of desires. These ways of seeing utility in terms of mental metrics (of happiness or of desire) have been used not only by such pioneering philosophers as Jeremy Bentham, but also by utilitarian economists such as Francis Edgeworth, Alfred Marshall, A. C. Pigou and Dennis Robertson. As was discussed earlier in this chapter, this mental metric is subject to distortions brought about by psychological adjustment to persistent deprivation. This is indeed a major limitation of the reliance on the subjectivism of mental metrics such as pleasures or desires. Can utilitarianism be rescued from this limitation?

In modern use of "utility" in contemporary choice theory, its identification with pleasure or desire-fulfillment has been largely abandoned in favor of seeing utility simply as the numerical representation of a person's choice. I should explain that this change has occurred not really in response to the problem of mental adjustment, but mainly in reaction to the criticisms made by Lionel Robbins and other methodological positivists that interpersonal comparisons of different people's minds were "meaningless" from the scientific point of view. Robbins argued that there are "no means whereby such comparisons can be accomplished." He even cited—and agreed with—the doubts first expressed by W. S. Jevons, the utilitarian guru, himself: "Every mind is inscrutable to every other mind and no common denominator of feelings is possible."[19] As economists convinced themselves that there was indeed something methodologically wrong in using interpersonal comparison of utilities, the fuller version of the

utilitarian tradition soon gave way to various compromises. The particular compromise that is extensively used now is to take utility to be nothing other than the representation of a person's preference. As was mentioned earlier, in this version of utility theory, to say that a person has more utility in state x than in state y is not essentially different from saying that she would choose to be in state x rather than in state y.

This approach has the advantage of not requiring that we undertake the difficult exercise of comparing different persons' mental conditions (such as pleasures or desires), but correspondingly, it closes the door *altogether* to the possibility of direct interpersonal comparisons of utilities (utility is each individual's separately scaled representation of her preferences). Since a person does not really have the option of becoming someone else, interpersonal comparisons of choice-based utility cannot be "read off" from the actual choices.[20]

If different persons have different preferences (reflected in, say, different demand functions), there is obviously no way of getting interpersonal comparisons from these diverse preferences. But what if they *shared* the same preference and made the same choices in similar circumstances? Admittedly, this would be a very special case (indeed, as Horace noted, "there are as many preferences as there are people"), but it is still interesting to ask whether interpersonal comparisons can be made under this very special assumption. Indeed, the assumption of common preference and choice behavior is quite often made in applied welfare economics, and this is frequently used to justify the assumption that everyone has the same utility function. This is stylized interpersonal utility comparison with a vengeance. Is that presumption legitimate for the interpretation of utility as a numerical representation of preference?

The answer, unfortunately, is in the negative. It is certainly true that the assumption that everyone has the same utility function would yield the same preferences and choice behavior for all, but so would many other assumptions. For example, if a person gets exactly *half* (or one-third, or one-hundredth, or one-millionth) of the utility from every commodity bundle that another person gets, both will have the same choice behavior and identical demand function, but clearly—by construction—not the same level of utility from any commodity bundle. More mathematically, the numerical representation of choice behavior is not unique; each choice behavior can be represented by a wide set of possible utility functions.[21] The coincidence of choice behavior need not entail any congruence of utilities.[22]

This is not just a "fussy" difficulty in pure theory; it can make a very big difference in practice as well. For example, *even if* a person who is depressed or disabled or ill happens to have the same demand function over commodity bundles as another who is not disadvantaged in this way, it would be quite absurd to insist that she is having the same utility (or well-being, or quality of life) from a given commodity bundle as the other can get from it. For example, a poor person with a parasitic stomach ailment may prefer two kilos of rice over one, in much the same way that another person—equally poor but with no ailment—may, but it would be hard to argue that both do equally well with, say, one kilo of rice. Thus, the assumption of the same choice behavior and same demand function (not a particularly realistic presumption, anyway) would provide no reason to expect the same utility function. Interpersonal comparisons are quite a distinct matter from explaining choice behavior, and the two can be identified only through a conceptual confusion.

These difficulties are often ignored in what are taken to be *utility comparisons* based on choice behavior, but which amount, at best, to comparisons of "real incomes" only—or of the *commodity basis* of utility. Even real-income comparisons are not easy when different persons have diverse demand functions, and this limits the rationale of such comparisons (even of the commodity basis of utility, not to mention utilities themselves). The limitations of treating real-income comparisons as putative utility comparisons are quite severe, partly because of the complete arbitrariness (even when demand functions of different persons are congruent) of the assumption that the same commodity bundle must yield the same level of utility to different persons, and also because of the difficulties in indexing even the commodity basis of utility (when demand functions are divergent).[23]

At the practical level, perhaps the biggest difficulty in the real-income approach to well-being lies in the diversity of human beings. Differences in age, gender, special talents, disability, proneness to illness, and so on can make two different persons have quite divergent opportunities of quality of life *even when* they share exactly the same commodity bundle. Human diversity is among the difficulties that

limit the usefulness of real-income comparisons for judging different persons' respective advantages. The different difficulties are briefly considered in the next section, before I proceed to consider an alternative approach to interpersonal comparison of advantages.

WELL-BEING: DIVERSITIES AND HETEROGENEITIES

We use incomes and commodities as the material basis of our well-being. But what use we can respectively make of a given bundle of commodities, or more generally of a given level of income, depends crucially on a number of contingent circumstances, both personal and social.[24] It is easy to identify at least five distinct sources of variation between our real incomes and the advantages—the well-being and freedom—we get out of them.

1) *Personal heterogeneities:* People have disparate physical characteristics connected with disability, illness, age or gender, and these make their needs diverse. For example, an ill person may need more income to fight her illness—income that a person without such an illness would not need; and even with medical treatment the ill person may not enjoy the same quality of life that a given level of income would yield for the other person. A disabled person may need some prosthesis, an older person more support and help, a pregnant woman more nutritional intake, and so on. The "compensation" needed for disadvantages will vary, and furthermore some disadvantages may not be fully "correctable" even with income transfer.

2) *Environmental diversities:* Variations in environmental conditions, such as climatic circumstances (temperature ranges, rainfall, flooding and so on), can influence what a person gets out of a given level of income. Heating and clothing requirements of the poor in colder climates cause problems that may not be shared by equally poor people in warmer lands. The presence of infectious diseases in a region (from malaria and cholera to AIDS) alters the quality of life that inhabitants of that region may enjoy. So do pollution and other environmental handicaps.

3) *Variations in social climate:* The conversion of personal incomes and resources into the quality of life is influenced also by social conditions, including public educational arrangements, and

the prevalence or absence of crime and violence in the particular location. Issues of epidemiology and pollution are both environmental and socially influenced. Aside from public facilities, the nature of community relationships can be very important, as the recent literature on "social capital" has tended to emphasize.[25]

4) *Differences in relational perspectives:* The commodity requirements of established patterns of behavior may vary between communities, depending on conventions and customs. For example, being *relatively* poor in a rich community can prevent a person from achieving some elementary "functionings" (such as taking part in the life of the community) even though her income, in absolute terms, may be much higher than the level of income at which members of poorer communities can function with great ease and success. For example, to be able to "appear in public without shame" may require higher standards of clothing and other visible consumption in a richer society than in a poorer one (as Adam Smith noted more than two centuries ago).[26] The same parametric variability may apply to the personal resources needed for the fulfillment of self-respect. This is primarily an intersocietal variation, rather than an interindividual variation within a given society, but the two issues are frequently interlinked.

5) *Distribution within the family:* Incomes earned by one or more members of a family are shared by all—nonearners as well as earners. The family is thus the basic unit for consideration of incomes from the standpoint of their use. The well-being or freedom of individuals in a family will depend on how the family income is used in furtherance of the interests and objectives of different members of the family. Thus, intrafamily distribution of incomes is quite a crucial parametric variable in linking individual achievements and opportunities with the overall level of family income. Distributional rules followed within the family (for example, related to gender or age or perceived needs) can make a major difference to the attainments and predicaments of individual members.[27]

These different sources of variation in the relation between income and well-being make opulence—in the sense of high real income—a limited guide to welfare and the quality of life. I shall come back to these variations and their impact later on in this book

(particularly in chapter 4), but there must be some attempt before that to address the question: What is the alternative? That is the question I take up next.

INCOMES, RESOURCES AND FREEDOMS

The view that poverty is simply shortage of income is fairly well established in the literature on the subject. It is not a silly view, since income—properly defined—has an enormous influence on what we can or cannot do. The inadequacy of income is often the major cause of deprivations that we standardly associate with poverty, including starvation and famines. In studying poverty, there is an excellent argument for *beginning* with whatever information we have on the distribution of incomes, particularly low real incomes.[28]

There is, however, an equally good case for not *ending* with income analysis only. John Rawls's classic analysis of "primary goods" provides a broader picture of resources that people need no matter what their respective ends are; this includes income but also other general-purpose "means." Primary goods are general-purpose means that help anyone to promote his or her ends, and include "rights, liberties and opportunities, income and wealth, and the social bases of self-respect."[29] The concentration on primary goods in the Rawlsian framework relates to his view of individual advantage in terms of the opportunities the individuals enjoy to pursue their respective objectives. Rawls saw these objectives as the pursuit of individual "conceptions of the good," which would vary from person to person. If, despite having the same basket of primary goods as another (or even having a larger basket), a person ends up being less happy than the other person (for example, because of having expensive tastes), then no injustice need be involved in this inequality in the utility space. A person, Rawls argued, has to take responsibility for his or her own preferences.[30]

The broadening of the informational focus from incomes to primary goods is not, however, adequate to deal with all the relevant variations in the relationship between income and resources, on the one hand, and well-being and freedom, on the other. Indeed, primary goods themselves are mainly various types of general resources, and the use of these resources to generate the ability to do valuable things is subject to much the same list of variations we considered in the last section in the context of reviewing the relationship between income and well-being: personal heterogeneities, environmental diversities, variations in social climate, differences in relational perspectives and distribution within the family.[31] Personal health and the capability to be healthy can, for example, depend on a great variety of influences.[32]

An alternative to focusing on means of good living is to concentrate on the *actual living* that people manage to achieve (or going beyond that, on the *freedom* to achieve actual livings that one can have reason to value). There have, in fact, been many attempts in contemporary economics to be concerned directly with "levels of living" and its constituent elements, and with the fulfillment of basic needs, at least from A. C. Pigou onward.[33] Beginning in 1990, under the pioneering leadership of Mahbub ul Haq (the great Pakistani economist, who died suddenly in 1998), the United Nations Development Programme (UNDP) has been publishing annual reports on "human development" that have thrown systematic light on the actual lives lived by people, especially by the relatively deprived.[34]

Taking an interest in the lives that people actually lead is not new in economics (as was pointed out in chapter 1). Indeed, the Aristotelian account of the human good (as Martha Nussbaum discusses) was explicitly linked to the necessity to "first ascertain the function of man" and then proceeded to explore "life in the sense of activity" as the basic block of normative analysis.[35] Interest in living conditions is also strongly reflected (discussed earlier) in the writings on national accounts and economic prosperity by pioneering economic analysts, such as William Petty, Gregory King, François Quesnay, Antoine-Laurent Lavoisier and Joseph-Louis Lagrange.

It is also an approach that much engaged Adam Smith. As mentioned earlier, he was concerned with such capability to function as "the ability to appear in public without shame" (rather than only with real income or the commodity bundle possessed).[36] What counts as "necessity" in a society is to be determined, in Smithian analysis, by its need to generate some minimally required freedoms, such as the ability to appear in public without shame, or to take part in the life of the community. Adam Smith put the issue thus:

> By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but what ever the customs of the country renders it indecent for creditable

> people, even the lowest order to be without. A linen shirt, for example, is, strictly speaking, not a necessary of life. The Greeks and Romans lived, I suppose, very comfortably though they had no linen. But in the present times, through the greater part of Europe, a creditable day-labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty which, it is presumed, nobody can well fall into without extreme bad conduct. Custom, in the same manner, has rendered leather shoes a necessary of life in England. The poorest creditable person of either sex would be ashamed to appear in public without them.[37]

In the same way, a family in contemporary America or Western Europe may find it hard to take part in the life of the community without possessing some specific commodities (such as a telephone, a television or an automobile) that are not necessary for community life in poorer societies. The focus has to be, in this analysis, on the freedoms generated by commodities, rather than on the commodities seen on their own.

WELL-BEING, FREEDOM AND CAPABILITY

I have tried to argue for some time now that 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.[38] 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 the 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. For example, a person who is disabled may have a larger basket of primary goods and yet have less chance to lead a normal life (or to pursue her objectives) than an able-bodied person with a smaller basket of primary goods. Similarly, an older person or a person more prone to illness can be more disadvantaged in a generally accepted sense even with a larger bundle of primary goods.[39]

The concept of "functionings," which has distinctly Aristotelian roots, reflects the various things a person may value doing or being.[40] The valued functionings may vary from elementary ones, such as being adequately nourished and being free from avoidable disease,[41] to very complex activities or personal states, such as being able to take part in the life of the community and having self-respect.

A person's "capability" refers to the alternative combinations of functionings that are feasible for her to achieve. Capability is thus a kind of freedom: the substantive freedom to achieve alternative functioning combinations (or, less formally put, the freedom to achieve various lifestyles). For example, an affluent person who fasts may have the same functioning achievement in terms of eating or nourishment as a destitute person who is forced to starve, but the first person does have a different "capability set" than the second (the first *can* choose to eat well and be well nourished in a way the second cannot).

There can be substantial debates on the particular functionings that should be included in the list of important achievements and the corresponding capabilities.[42] This valuational issue is inescapable in an evaluative exercise of this kind, and one of the main merits of the approach is the need to address these judgmental questions in an explicit way, rather than hiding them in some implicit framework.

This is not the occasion to go much into the technicalities of representation and analysis of functionings and capabilities. The amount or the extent of each functioning enjoyed by a person may be represented by a real number, and when this is done, a person's actual achievement can be seen as a *functioning vector*. The "capability set" would consist of the alternative functioning vectors that she can choose from.[43] While the combination of a person's functionings reflects her actual *achievements*, the capability set represents the *freedom* to achieve: the alternative functioning combinations from which this person can choose.[44]

The evaluative focus of this "capability approach" can be either on the *realized* functionings (what a person is actually able to do) or on the *capability set* of alternatives she has (her real opportunities). The two give different types of information—the former about the things a person does and the latter about the things a person is substantively free to do. Both versions of the capability approach have been used in the literature, and sometimes they have been combined.[45]

According to a well-established tradition in economics, the real value of a set of options lies in the best use that can be made of them, and—given maximizing behavior and the absence of uncertainty—the use that is *actually* made. The use value of the opportunity, then, lies derivatively on the value of one element of it (to wit, the best option or the actually chosen option).[46] In this case, the focusing on a *chosen functioning vector* coincides with concentration on the *capability set,* since the latter is judged, ultimately, by the former.

The freedom reflected in the capability set can be used in other ways as well, since the value of a set need not invariably be identified with the value of the best—or the chosen—element of it. It is possible to attach importance to having opportunities that are *not* taken up. This is a natural direction to go if the *process* through which outcomes are generated has significance of its own.[47] Indeed, "choosing" itself can be seen as a valuable functioning, and having an x when there is no alternative may be sensibly distinguished from choosing x when substantial alternatives exist.[48] Fasting is not the same thing as being forced to starve. Having the option of eating makes fasting what it is, to wit, choosing not to eat when one could have eaten.

WEIGHTS, VALUATIONS AND SOCIAL CHOICE

Individual functionings can lend themselves to easier interpersonal comparison than comparisons of utilities (or happiness, pleasures or desires). Also, many of the relevant functionings—typically the non-mental characteristics—can be seen distinctly from their mental assessment (not subsumed in "mental adjustment"). The variability in the conversion of means into ends (or into freedom to pursue ends) is already reflected in the extents of those achievements and freedoms that may figure in the list of ends. These are advantages in using the capability perspective for evaluation and assessment.

However, interpersonal comparisons of *overall* advantages also require "aggregation" over heterogeneous components. The capability perspective is inescapably pluralist. First, there are different functionings, some more important than others. Second, there is the issue of what weight to attach to substantive freedom (the capability set) vis-à-vis the actual achievement (the chosen functioning vector).

Finally, since it is not claimed that the capability perspective exhausts all relevant concerns for evaluative purposes (we might, for example, attach importance to rules and procedures and not just to freedoms and outcomes), there is the underlying issue of how much weight should be placed on the capabilities, compared with any other relevant consideration.[49]

Is this plurality an embarrassment for advocacy of the capability perspective for evaluative purposes? Quite the contrary. To insist that there should be only one homogeneous magnitude that we value is to reduce drastically the range of our evaluative reasoning. It is not, for example, to the credit of classical utilitarianism that it values only pleasure, without taking any direct interest in freedom, rights, creativity or actual living conditions. To insist on the mechanical comfort of having just one homogeneous "good thing" would be to deny our humanity as reasoning creatures. It is like seeking to make the life of the chef easier by finding something which—and which *alone*—we all like (such as smoked salmon, or perhaps even french fries), or some one quality which we must all try to maximize (such as the saltiness of the food).

Heterogeneity of factors that influence individual advantage is a pervasive feature of actual evaluation. While we can decide to close our eyes to this issue by simply *assuming* that there is some one homogeneous thing (such as "income" or "utility") in terms of which everyone's overall advantage can be judged and interpersonally compared (and that variations of needs, personal circumstances and so on can be assumed away), this does not resolve the problem but only evades it. Preference fulfillment may have some obvious attraction in dealing with one person's individual needs, but (as was discussed earlier) it does little, on its own, for interpersonal comparisons, central to any social evaluation. Even when each person's preference is taken to be the ultimate arbiter of the well-being for that person, even when everything other than well-being (such as freedom) is ignored, and even when—to take a very special case—everyone has the *same* demand function or preference map, the comparison of market valuations of commodity bundles (or their relative placement on a shared system-of-indifference map in the commodity space) tells us little about interpersonal comparisons.

In evaluative traditions involving fuller specification, considerable

heterogeneity is explicitly admitted. For example, in Rawlsian analysis primary goods are taken to be constitutively diverse (including "rights, liberties and opportunities, income and wealth, and the social basis of self-respect"), and Rawls deals with them through an overall "index" of primary goods holdings.[50] While a similar exercise of judging over a space with heterogeneity is involved both in the Rawlsian approach and in the use of functionings, the former is informationally poorer, for reasons discussed already, because of the parametric variation of resources and primary goods vis-à-vis the opportunity to achieve high quality of living.

The problem of valuation is not, however, one of an all-or-nothing kind. Some judgments, with incomplete reach, follow immediately from the specification of a focal space. When some functionings are selected as significant, such a focal space is specified, and the relation of dominance itself leads to a "partial ordering" over the alternative states of affairs. If person *i* has more of a significant functioning than person *j*, and at least as much of all such functionings, then *i* clearly has a higher valued functioning vector than *j* has. This partial ordering can be "extended" by further specifying the possible weights. A unique set of weights will, of course, be *sufficient* to generate a *complete* order, but it is typically not necessary. Given a "range" of weights on which there is agreement (that is, when it is agreed that the weights are to be chosen from a specified range, even without any agreement as to the exact point on that range), there will be a partial ordering based on the intersection of rankings. This partial ordering will get systematically extended as the range is made more and more narrow. Somewhere in the process of narrowing the range—possibly well before the weights are unique—the partial ordering will become complete.[51]

It is of course crucial to ask, in any evaluative exercise of this kind, how the weights are to be selected. This judgmental exercise can be resolved only through reasoned evaluation. For a particular person, who is making his or her own judgments, the selection of weights will require reflection, rather than any interpersonal agreement (or consensus). However, in arriving at an "agreed" range for *social evaluation* (for example, in social studies of poverty), there has to be some kind of a reasoned "consensus" on weights, or at least on a range of weights. This is a "social choice" exercise, and it requires

public discussion and a democratic understanding and acceptance.[52] It is not a special problem that is associated only with the use of the functioning space.

There is an interesting choice here between "technocracy" and "democracy" in the selection of weights, which may be worth discussing a little. A choice procedure that relies on a democratic search for agreement or a consensus can be extremely messy, and many technocrats are sufficiently disgusted by its messiness to pine for some wonderful formula that would simply give us ready-made weights that are "just right." However, no such magic formula does, of course, exist, since the issue of weighting is one of valuation and judgment, and not one of some impersonal technology.

We are not prevented, by any means, from proposing that some particular formula—rather than any alternative formula—be used for aggregation, but in this inescapably social-choice exercise its status must depend on its acceptability to others. There is nevertheless a hankering after some "obviously correct" formula to which reasonable people cannot object. A good example comes from T. N. Srinivasan's forceful critique of the capability approach (and its partial use in UNDP's *Human Development Reports*), where he worries about the "varying importance of different capabilities" and proposes the rejection of this approach in favor of the advantage of "the real-income framework" which "includes an operational metric for weighting commodities—the metric of exchange value."[53] How convincing is this critique? There is certainly some metric in market valuation, but what does it tell us?

As was already discussed, the "operational metric" of exchange value does not give us interpersonal comparisons of utility levels, since such comparisons cannot be deduced from choice behavior. There has been some confusion on this subject because of misreading the tradition of consumption theory—sensible within its context—of taking utility to be simply the numerical representation of a given person's choice. That is a useful way to define utility for the analysis of consumption behavior of each person taken separately, but it does not, on its own, offer any procedure whatever for substantive interpersonal comparison. Paul Samuelson's elementary point that it was "not necessary to make interpersonal comparisons of utility in describing exchange,"[54] is the other side of the same coin: nothing

about interpersonal comparison of utility is learned from observing "the metric of exchange value."

As noted earlier, this difficulty is present even when everyone has the same demand function. It is intensified when the individual demand functions differ, in which case even comparisons of the commodity basis of utility are problematic. There is nothing in the methodology of demand analysis, including the theory of revealed preference, that permits any reading of interpersonal comparisons of utilities or welfares from observed choices of commodity holdings, and thus from real-income comparisons.

In fact, given interpersonal diversity, related to such factors as age, gender, inborn talents, disabilities and illnesses, the commodity holdings can actually tell us rather little about the nature of the lives that the respective people can lead. Real incomes can, thus, be rather poor indicators of important components of well-being and quality of life that people have reason to value. More generally, the need for *evaluative* judgments is inescapable in comparing individual well-being, or quality of life. Furthermore, anyone who values public scrutiny must be under some obligation to make clear that a judgment *is* being made in using real incomes for this purpose and that the weights implicitly used must be subjected to evaluative scrutiny. In this context, the fact that market-price-based evaluation of utility from commodity bundles gives the misleading impression—at least to some—that an already available "operational metric" has been *preselected for evaluative use* is a limitation rather than an asset. If informed scrutiny by the public is central to any such social evaluation (as I believe is the case), the implicit values have to be made more explicit, rather than being shielded from scrutiny on the spurious ground that they are part of an "already available" metric that the society can immediately use without further ado.

Since the preference for market-price-based evaluation is quite strong among many economists, it is also important to point out that all variables other than commodity holdings (important matters such as mortality, morbidity, education, liberties and recognized rights) get—implicitly—a zero direct weight in evaluations based exclusively on the real-income approach. They can get some *indirect* weight only if—and only to the extent that—they enlarge real incomes and commodity holdings. The confounding of welfare comparison with real-income comparison exacts a heavy price.

There is thus a strong methodological case for emphasizing the need to assign explicitly evaluative weights to different components of quality of life (or of well-being) and then to place the chosen weights for open public discussion and critical scrutiny. In any choice of criteria for evaluative purposes, there would not only be use of value judgments, but also, quite often, use of some judgments on which full agreement would not exist. This is inescapable in a social-choice exercise of this kind.[55] The real issue is whether we can use some criteria that would have greater public support, for evaluative purposes, than the crude indicators often recommended on allegedly technological grounds, such as real-income measures. This is central for the evaluative basis of public policy.

CAPABILITY INFORMATION: ALTERNATIVE USES

The capability perspective can be used in rather distinct ways. The question as to which practical *strategy* to use for evaluating public policy has to be distinguished from the *foundational* issue as to how individual advantages are best judged and interpersonal comparisons most sensibly made. At the foundational level, the capability perspective has some obvious merits (for reasons already discussed) compared with concentrating on such instrumental variables as income. This does not, however, entail that the most fruitful focus of *practical* attention would invariably be measures of capabilities.

Some capabilities are harder to measure than others, and attempts at putting them on a "metric" may sometimes hide more than they reveal. Quite often income levels—with possible corrections for price differences and variations of individual or group circumstances—can be a very useful way of getting started in practical appraisal. The need for pragmatism is quite strong in using the motivation underlying the capability perspective for the use of available data for practical evaluation and policy analysis.

Three alternative practical approaches may be considered in giving practical shape to the foundational concern.[56]

1) *The direct approach:* This general approach takes the form of directly examining what can be said about respective advantages by examining and comparing vectors of functionings or capabilities. In many ways, this is the most immediate and full-blooded way of

going about incorporating capability considerations in evaluation. It can, however, be used in different forms. The variants include the following:

1.1) "total comparison," involving the ranking of all such vectors vis-à-vis each other in terms of poverty or inequality (or whatever the subject matter is);

1.2) "partial ranking," involving the ranking of some vectors vis-à-vis others, but not demanding completeness of the evaluative ranking;

1.3) "distinguished capability comparison," involving the comparison of some particular capability chosen as the focus, without looking for completeness of coverage.

Obviously, "total comparison" is the most ambitious of the three—often much too ambitious. We can go in that direction—maybe quite far—by not insisting on a complete ranking of all the alternatives. Examples of "distinguished capability comparison" can be seen in concentrated attention being paid to some particular capability variable, such as employment, or longevity, or literacy, or nutrition.

It is possible, of course, to go from a set of separate comparisons of distinguished capabilities to an aggregated ranking of the sets of capabilities. This is where the crucial role of weights would come in, bridging the gap between "distinguished capability comparisons" and "partial rankings" (or even "total comparisons").[57] But it is important to emphasize that despite the incomplete coverage that distinguished capability comparisons provide, such comparisons can be quite illuminating, even on their own, in evaluative exercises. There will be an opportunity to illustrate this issue in the next chapter.

2) *The supplementary approach:* A second approach is relatively nonradical, and involves continued use of traditional procedures of interpersonal comparisons in income spaces, but supplements them by capability considerations (often in rather informal ways). For practical purposes, some broadening of the informational base can be achieved through this route. The supplementation may focus either on direct comparisons of functionings themselves, or on instrumental variables other than income that are expected to influence the determination of capabilities. Such factors as the availability and reach of health care, evidence of gender bias in family allocation, and the prevalence and magnitude of joblessness can add to the partial illumination provided by the traditional measures in the income space. Such extensions can enrich the overall understanding of problems of inequality and poverty by *adding to* what gets known through measures of income inequality and income poverty. Essentially, this involves using "distinguished capability comparison" as a supplementary device.[58]

3) *The indirect approach:* A third line of approach is more ambitious than the supplementary approach but remains focused on the familiar space of incomes, appropriately *adjusted.* Information on determinants of capabilities *other than income* can be used to calculate "adjusted incomes." For example, family income levels may be adjusted downward by illiteracy and upward by high levels of education, and so on, to make them equivalent in terms of capability achievement. This procedure relates to the general literature on "equivalence scales." It also connects with the research on analyzing family expenditure patterns for indirectly assessing causal influences that may not be observed directly (such as the presence or absence of certain types of sex bias within the family).[59]

The advantage of this approach lies in the fact that income is a familiar concept and often allows stricter measurement (than, say, overall "indices" of capabilities). This may permit more articulation and perhaps easier interpretation. The motivation for choosing the "metric" of income in this case is similar to A. B. Atkinson's choice of the income space to measure the effects of income inequality (in his calculation of "equally distributed equivalent income"), rather than the utility space, as was originally proposed by Hugh Dalton.[60] Inequality can be seen in Dalton's approach in terms of utility loss from disparity, and the shift that Atkinson brought in involved assessing the loss from inequality in terms of "equivalent income."

The "metric" issue is not negligible, and the indirect approach does have some advantages. It is, however, necessary to recognize that it is not any "simpler" than direct assessment. First, in assessing the values of equivalent income, we have to consider how income influences the relevant capabilities, since the conversion rates have to be parasitic on the underlying motivation of capability evaluation. Furthermore, all the issues of trade-offs between different capabilities (and those of relative weights) have to be faced in the indirect approach just as much as in the direct approach, since all that is essentially altered is the unit of expression. In this sense the indirect

approach is not basically different from the direct approach in terms of the judgments that have to be made to get appropriate measures in the space of equivalent incomes.

Second, it is important to distinguish between income as a *unit* in which to *measure* inequality and income as the *vehicle* of inequality reduction. Even if inequality in capabilities is well measured in terms of equivalent incomes, it does not follow that transferring income would be the best way to counteract the observed inequality. The policy question of compensation or redress raises other issues (effectiveness in altering capability disparities, the respective force of incentive effects and so on), and the easy "reading" of income gaps must not be taken as a suggestion that corresponding income transfers would remedy the disparities most effectually. There is, of course, no need to fall into this mistaken reading of equivalent incomes, but the clarity and immediacy of the income space may pose that temptation, which has to be explicitly resisted.

Third, even though the income space has greater measurability and articulation, the actual magnitudes can be very misleading in terms of the values involved. Consider, for example, the possibility that as the level of income is reduced and a person starts to starve, there may be a sharp drop at some point in the person's chances of survival. Even though the "distance" in the space of incomes between two alternative values may be rather little (measured entirely in terms of income), if the consequence of such a shift is a dramatic change in the chances of survival, then the impact of that small income change can be very large in the space of what really matters (in this case the capability to survive). It may thus be deceptive to think of the difference as being really "little" because the income difference is small. Indeed, since income remains only instrumentally important, we cannot know how significant the income gaps are without actually considering the *consequences* of the income gaps in the space that is ultimately important. If a battle is lost for want of a nail (through a chain of causal connections that the old verse outlines), then that nail made a *big* difference, no matter how trivial it may be in the space of incomes or expenditures.

Each of these approaches has contingent merit that may vary depending on the nature of the exercise, the availability of information, and the urgency of the decisions that have to be taken. Since the capability perspective is sometimes interpreted in terribly exacting terms (total comparisons under the direct approach), it is important to emphasize the catholicity that the approach has. The foundational affirmation of the importance of capabilities can go with various strategies of actual evaluation involving practical compromises. The pragmatic nature of practical reason demands this.

CONCLUDING REMARKS

Euclid is supposed to have told Ptolemy: "There is no 'royal road' to geometry." It is not clear that there is any royal road to evaluation of economic or social policies either. A variety of considerations that call for attention are involved, and evaluations have to be done with sensitivity to these concerns. Much of the debate on the alternative approaches to evaluation relates to the priorities in deciding on what should be at the core of our normative concern.

It has been argued here that the priorities that are accepted, often implicitly, in the different approaches to ethics, welfare economics, and political philosophy can be brought out and analyzed through identifying the information on which the evaluative judgments rely in the respective approaches. This chapter was concerned particularly with showing how these "informational bases" work, and how the different ethical and evaluative systems use quite different informational bases.

From that general issue, the analysis presented in this chapter moved to specific evaluative approaches, in particular utilitarianism, libertarianism and Rawlsian justice. In line with the view that there are indeed no royal roads to evaluation, it emerged that there are distinct merits in each of these well-established strategies, but that each also suffers from significant limitations.

The constructive part of this chapter proceeded to examine the implications of focusing directly on the substantive freedoms of the individuals involved, and identified a general approach that concentrates on the capabilities of people to do things—and the freedom to lead lives—that they have reason to value. I have discussed this approach elsewhere as well,[61] as have others, and its advantages and limitations are also reasonably clear. It does appear that not only is

this approach able to take direct note of the importance of freedom, it can also pay substantial attention to the underlying motivations that contribute to the relevance of the other approaches. In particular, the freedom-based perspective can take note of, inter alia, utilitarianism's interest in human well-being, libertarianism's involvement with processes of choice and the freedom to act and Rawlsian theory's focus on individual liberty and on the resources needed for substantive freedoms. In this sense the capability approach has a breadth and sensitivity that give it a very extensive reach, allowing evaluative attention to be paid to a variety of important concerns, some of which are ignored, one way or another, in the alternative approaches. This extensive reach is possible because the freedoms of persons can be judged through explicit reference to outcomes and processes that they have reason to value and seek.[62]

Different ways of using this freedom-based perspective were also discussed, resisting in particular the idea that the use must take an all-or-none form. In many practical problems, the possibility of using an explicitly freedom-based approach may be relatively limited. Yet even there it is possible to make use of the insights and informational interests involved in a freedom-based approach—without insisting on ignoring other procedures when they can be, within particular contexts, sensibly utilized. The analysis that follows builds on these understandings, in an attempt to throw light on underdevelopment (seen broadly in the form of unfreedom) and development (seen as a process of removing unfreedoms and of extending the substantive freedoms of different types that people have reason to value). A general approach can be used in many different ways, depending on the context and on the information that is available. It is this combination of foundational analysis and pragmatic use that gives the capability approach its extensive reach.

CHAPTER 4

POVERTY AS CAPABILITY DEPRIVATION

It was argued in the last chapter that, in analyzing social justice, there is a strong case for judging individual advantage in terms of the capabilities that a person has, that is, the substantive freedoms he or she enjoys to lead the kind of life he or she has reason to value. In this perspective, poverty must be seen as the deprivation of basic capabilities rather than merely as lowness of incomes, which is the standard criterion of identification of poverty.[1] The perspective of capability-poverty does not involve any denial of the sensible view that low income is clearly one of the major causes of poverty, since lack of income can be a principal reason for a person's capability deprivation.

Indeed, inadequate income is a strong predisposing condition for an impoverished life. If this is accepted, what then is all this fuss about, in seeing poverty in the capability perspective (as opposed to seeing it in terms of the standard income-based poverty assessment)? The claims in favor of the capability approach to poverty are, I believe, the following.

1) Poverty can be sensibly identified in terms of capability deprivation; the approach concentrates on deprivations that are *intrinsically* important (unlike low income, which is only *instrumentally* significant).

2) There are influences on capability deprivation—and thus on real poverty—*other* than lowness of income (income is not the only instrument in generating capabilities).