

# Focus

## AMARTYA SEN'S *DEVELOPMENT AS FREEDOM*: TEN YEARS LATER

Amartya Sen's *Development as Freedom* has been widely praised as a way forward for a more humane society since it was published a decade ago in 1999, the year after its author won the Bank of Sweden prize in economics (otherwise known as the Nobel Prize for economics). To many, it is the standard for ethical economics, so much so that one critic laments 'until now the issue of ethics and economics, especially in the context of development, has been dominated by Amartya Sen, almost to the extent of being a one-man show with supporting acts' (Fine, 2004). Kofi Annan says of Amartya Sen that 'the world's poor and dispossessed could have no more articulate or insightful a champion'. It has almost reached the point where criticizing Amartya Sen, like Mother Theresa, is out of bounds. In this critical assessment of Sen's much lauded book, **Denis O'Hearn** considers its central thesis and impact on development.

### The argument

Sen's thesis is simple. Freedom is both the primary end *and* the principal means of development. Insofar as many of us have been critical of approaches to development that emphasize growth in Gross Domestic Product (GDP), rising personal incomes, industrialization, technological advance, or social modernization, we should be glad that such a distinguished economist is apparently tooting our horn. Yet there are deeply troubling elements in Sen's basic assumptions about the nature of people and his lack of a feasible prescription for reaching his stated goals that make *Development as Freedom* not just misguided but even rather dangerous.

Sen gives two reasons why freedom should be the primary element of development: first, the only acceptable evaluation of human progress is primarily and ultimately enhancement of freedom; second, the achievement of development is dependent on the free agency of people. Many people will agree with the first assertion, as long as the definition of freedom is wide enough to include freedom from material or spiritual want, which it does for Sen. The second assertion is more controversial within mainstream

economics and popular discourse: the reason usually given by economists to cut back on public expenditures, including education, housing, healthcare and social welfare, is that poor economies cannot afford such expenditures and that development (in terms of economic growth) must happen *first* and only then can societies afford to look after the social welfare of their people (for a classic version of this ‘stage’ thesis, see Rostow, 1960). Sen breaks with this orthodoxy, providing evidence that high incomes do not necessarily lead to wellbeing (for instance, in terms of life expectancy), and arguing that welfare expenditures can be a spur to rather than a drain on economic growth, especially since they are labor-intensive and since labor is so cheap in poor countries. Thus, he argues against the ‘Lee Thesis’, named for President Lee Kuan Yew of Singapore, which states that denying political and civil rights is acceptable if it promotes economic development and the general wealth of the population (Sen, 1999:15). He rightly insists that we should approach political freedoms and civil rights not through the means of eventually achieving them (GDP growth) but as a direct good in their own right. Freedom is also good because it creates growth.

Sen mentions five distinct freedoms: political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security. Freedom, he says, is a principle determinant of individual initiative and social effectiveness; it is good primarily because it enhances the ability of individuals to help themselves, a property that Sen describes as the ‘agency aspect’ of the individual (Sen, 1999:19). Thus, his definition of poverty is individual: it is the deprivation of basic capabilities, always defined as *individual* capabilities. Having stated the prerequisites of freedom and capability in individual terms, Sen never attempts to derive the social origins of ethics, or their historical or cultural specificity, or the ways in which some kinds of capability may be socially organized rather than just a sum of individual capacities. Social capabilities are derived from individual ones and, although Sen recognizes a need for social institutions, it is only to buttress individual freedoms that may be suppressed by imperfections of capitalism that arise from wrong-headed approaches to development. In echoing the political economist Adam Smith, Sen sees social institutions as having a limited role as you cannot replace individual responsibility by social regulation: ‘there is no substitute for individual responsibility’ (Sen, 1999:283). Unemployment is bad because of its ‘far-reaching debilitating effects on individual freedom, initiative, and skills’ (*ibid.*:21).

Sen thus asserts the positive role of the market and opposes regulations that impede the freedom of people to decide where to work, what to produce, and what to consume. In his argument for economic freedom, he oddly cites Marx, saying that his support for the end of bondage and use

of terms such as ‘free labor’ meant that Marx was an advocate of capitalist freedoms. His conception of democracy is limited to pluralist or electoral democracy, without knowledge of critiques of the exercise of power within pluralism (Lukes, 1974) or conception of alternative models of democracy such as confederalism (see Bookchin, 1989).

The center of Sen’s vision is what he calls a ‘capability approach’, where the basic concern of human development is ‘our capability to lead the kind of lives we have reason to value’, rather than the usual concentration on rising GDP, technical progress, or industrialization (Sen, 1999:285). His approach ‘inescapably focuses on the agency and judgment of individuals’ (*ibid.*:288) including their capability, responsibility, and opportunity. Raising human capability is good because it improves: the choices, wellbeing, and freedom of people; their role in influencing social change; and their role in influencing economic production.

He painstakingly distinguishes human capability from human capital. Human capital is important, as it refers to the agency of people in augmenting production possibilities. Yet human capability is more important because it refers to the substantive freedom of people to lead the lives they have reason to value and to enhance the real choices they have. Education, for example, is crucial beyond its role in production; its most important role being that of increasing human capability and therefore choice. Again, Sen cites Adam Smith who links productive abilities to lifestyles to education and training, and presumes the improvability of each. While the popularity of the concept of human capital is for Sen ‘certainly an enriching move’, it needs supplementation by an approach that takes human capability as its central concern.

### **Another side to Sen?**

The apparently progressive and humane aspects of Sen’s thesis are outweighed, fatally I believe, by several problems: individualism, microeconomic foundations to the exclusion of macroeconomics, localism, and lack of historical understanding. For a supposedly progressive analysis, Sen’s sources of inspiration are rather strange. Most frequently quoted is Adam Smith, particularly on the subject of freedom to engage in exchange and transaction as a basic liberty but also in his defenses of the state’s limited role in certain aspects of general social welfare and his concern with ‘necessities’ and ‘conditions of living’. Also quoted as champions of freedom are: Aristotle, for his focus on ‘flourishing’ and ‘capacity’; Montesquieu and James Stuart, for their invocation of interest as a bulwark against despotism; and Friedrich Hayek, for championing liberties and freedoms as a foundation of economic

progress. In the end, Sen is ultimately revealed as a champion of capitalism with good values such as transparency, where people can be trusted to do what they say they will do, and good behavioral ethics.

It is unsurprising that Sen should invoke Hayek in such a positive light, for his economics while humane are almost entirely centred on the individual, and he usually cites freedom in the context of ‘individual freedom’, saying that the most important aspect of freedom is its ‘opportunity aspect... the extent to which people have the opportunity to achieve outcomes that they value and have reason to value’ (Sen, 1999:291). Essentially, then, Sen proposes that development is driven by capitalism laced with good values: transparency, where folks can be trusted to do what they say they will do, decent behavioral ethics, etc. (*ibid.*:262). Yet he provides no theory of where such ethics originate, apart from the apparent righteousness of arguments like his own about the superiority of being good and trustworthy. In capitalism, as we have been shown time and again, reasoned argument is simply not enough.

His ‘entitlement’ and ‘capability’ approaches are individualistic in methodology, derived from microeconomics and generalized by adding problems of access to non-market-related entitlements. As Ben Fine (2004) says, Sen’s conception of development boils down to ‘what can I get from what I have, given the conditions for transforming one to the other?’ It is ‘profoundly neutral’ with respect both to underlying social relations and the historical specificity of unequal entitlements. His is a quite Eurocentric understanding of equity that goes back to Hobbes’ seventeenth century definition of equal insecurity and equal subordination to the market. Although Sen explains that his conception of ethics sprang from a racist murder of a Muslim that he witnessed in Bangladesh during his youth, it is surprising that his understanding of ethics and economic man is so resolutely Western. However, Fine suggests that this may be explained by his Cambridge economics training and by the degree to which economics as a discipline and way of thinking has colonized the other social sciences.

What is most surprising about Sen’s analysis, given his subject is development among the less wealthy regions of the world, is the absence of a theory of global capitalism. Indeed, he ignores problems of unequal trade, including disadvantageous international divisions of labor, the exercise of global power and the behavior of International Financial Institutions (IFIs).

Sen’s lack of historical or global consideration is most apparent in his analysis of famine, which he provides as the major reason why freedom must accompany development. Economic security, he insists, derives from freedom. ‘It is not surprising’, he says, ‘that no famine has ever taken

place in the history of the world in a functioning democracy' (*ibid.*:16). Rather, famines tend to occur in one-party governments and military dictatorships and colonies ruled from elsewhere. Economic security is one of the 'advantages of democratic pluralism'. Or, again, 'a society that allows famines to occur when prevention is possible is unjust in a clearly significant way'. Societies need to identify 'patent injustices' (*ibid.*:287). This begs the question, what is a 'society'? For Sen society simply appears to be the nation state, or state governments within a federal system, with no conception of how 'patent injustices' may arise because of and be reproduced by world-systemic processes and interrelations.

Obviously Sen has either not read or simply decided to ignore the role of the West and global processes in causing famine. In his book, *Victorian Holocausts*, Mike Davis makes a compelling case that the third world was created by famine, which was a tool both invented and used by Western colonial powers to move people off of the land and enable the institution of private property and excessive rents. Thus, in his consistent effort to place all economic consequences in the hands of individuals (who have more or less capability), and their governments (which enable or not), Sen fails to consider that the best of pluralist parliaments face world economic processes and powers over which they have little or no control. The West has enjoyed pluralist democracy (which, by the way, is no utopia) in many cases *because* the rest of the world starved.

### **Conclusion: Sen today?**

It is not surprising that Amartya Sen's work has received such universal acclaim, even by mainstream economists. Clearly his vision is a humane one. Yet because he remains on the safe ground of Western individualism and avoids critical analysis of major western states and institutions, his work is hardly threatening. It provides plenty of wiggle room for states and institutions that want to show 'improvement' in freedom, equality, life expectancy, education and capacity, and so on, without really questioning or much less changing their status quo.

There is a whole other part of the world that is not touched by Sen's analysis of development and it is now going through one of its deepest crises. The basic developmental focus that has been with us since at least Aristotle, the development of possessive individualism where freedom is defined by security of property and the ability to trade it on markets, is extended into Sen's conceptions of development. This individualistic world predominates today in the Washington Consensus, trade liberalization, and in agreements such as the General Agreement on Trade in Services (GATS)



and Trade in Intellectual Property Rights (TRIPS). These policies aim to reinforce the impact of possessive individualism by extending the freedom of transnational corporations (TNCs) and rich investors to 'engage in exchange and transaction' throughout the world.

In the name of liberalization, communities are broken down *and they lose capacity and capability*. Even those few of their members who manage to gain more education and skills or accumulate some capital through micro-financing find themselves constrained by the way that the market limits where they can sell their labor, to whom, for what price, and in how it is used. Meanwhile, speculators on the futures market use their greatly expanded rights of the past two decades to 'engage in exchange and transaction' in a way that has caused sharp increases in the price of food staples like lentils, wheat and rice, and severe housing instability. Countries such as India that try to regulate such speculation are subject to sanctions as the International Financial Institutions liberalize financial services under GATS (see for example Vander Stichele, 2008). Privatization of water, gas, and other basic resources under the guise of freedom to 'engage in exchange and transaction' mean that more people than ever are vulnerable to ill-health or death through the lack of these basic necessities.

Increasingly, observers of global capitalism and privatisation conclude that we now require concepts of development that recognize and emphasize the collective rights of communities, women, and the poor to find alternative routes to 'development as freedom'. In many places today, particularly in Latin America, there is a struggle not so much between Washington and the global South, but between emerging movements and progressive governments of different shades about whether and to what degree a livable world is really possible under the old rules of global liberalization.

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