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ECONOMICS AND ETHICS: AMARTYA SEN AS POINT OF DEPARTURE

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This paper has an unusual history that may be worth recounting in order to shed some light on the community of scholarship to which we belong. Initially, it was commissioned for a special issue of a journal devoted to the topic of Sen's capability approach. The editors of the special issue made comments and suggestions for revisions that I duly undertook. Then, to our mutual surprise, the editor of the journal itself refused to publish the piece as it had been decided that the special issue was to focus on operationalising the capability approach. Had I known this in advance, I would not have undertaken the commission as my concern had been to bring out some of the tensions in the development and content of Sen's thinking, rather than the strengths and weaknesses in its empirical or policy application.

Consequently, the piece was put aside although it was, and remains, posted on the SOAS web site, Fine (2001). Some time later, I received an email from a World Bank organizer of its annual conference, the Annual Bank Conference on Development Economics, ABCDE, requesting me to suggest a theme for its 2002 conference to be held in Stockholm. Being of a critical, or is that cynical, realist bent of mind, I assumed that this was a general circular doing the rounds in an attempt to circumvent criticism of the putative knowledge bank that it should be more inclusive in its thinking and participants. I decided not to reply to prevent the World Bank from free-riding on my token participation in determining its agenda that I was sure would not be considered seriously.

But, at least in part, I appeared to be wrong. I received another email reinforcing the invitation to suggest a theme. However, my cynicism did not desert me, and I responded to the effect that if they genuinely wanted my suggestions, I would make them but not if this was a general circular. To my surprise, I was informed that I had, indeed, been selected as an individual to make a proposal.

I did so, suggesting that the study of development should be assessed in the context of the relationship between economics and the other social sciences, a subject on which I was then, and have remained, seriously engaged[1]. My suggestion was declined, and I thought no more of it other than that I had, indeed, been used for legitimizing purposes[2]. That is until I began to hear rumors, exaggerated or not, through the grapevine of what lay behind all of this. First, the organizing committee for the conference had included some more progressive economists, and this is why I had been suggested to propose a theme. Second, however, it seems my participation had been vetoed from the highest level.

Now, this was a time of concerted and violent protest against globalization and its agents. Sweden decided not to host the ABCDE but Norway took its place and gained the right to nominate a theme of its own. As chance would have it, I was invited by the theme organizer to participate in a stream on Economics and Ethics. I explained the history of what had happened so far, that I felt I had no expertise as such on the topic, but that I did have this paper on Sen that could be bent in the direction of the theme if so wished. To my surprise, I found myself attending the ABCDE after all.

It was a surreal experience. There must have been a thousand or so delegates, luxuriously accommodated in a hotel on the hills overlooking Oslo where, down below, protestors demonstrated their opposition. Video links to more or less empty rooms in the developing world signified commitment to wider participation. I attended three workshops; one, naturally, on ethics and economics; one on gender and development; and one on labor standards. Attendance declined, respectively, from about fifteen through little more than double figures until the last session where the presenters, three or four, threatened to outnumber the audience. This would appear to say something about the priorities of participants.

After the conference, I was asked to revise my paper for consideration for publication in the conference volume, and did so taking full and careful consideration of the strict word limit[3] and comments given including those from one of the two editors of the conference volume. All to no avail, the paper was not included. It is the one that follows.

I. Introduction

Economics as a discipline, in teaching, research and policy, is very poor at ethics. There are six inter-related reasons for this. First, whilst the rigid distinction between positive and normative economics (and theory and fact) has long been recognized in principle to be invalid, the discipline has continued in practice as if nothing were wrong with the separation(s) between the two. Second, economics is negligent of, and backward in, methodology, and so unlikely to interrogate its own ethical or other foundations. Third, economics also neglects its own history as a discipline, and so its own shifting ethical approaches and content. Fourth, economics has been isolated from the other social sciences so that their contribution to ethical questions has been ignored. Fifth, mainstream economics has always been and is now almost absolutely intolerant of heterodox alternatives from which ethical differences might be teased out. Sixth, in sum, with method, methodology, history of economic thought, interdisciplinarity and heterodoxy sidelined to marginal status, this has all meant that economics is extraordinarily lacking in circumspection around the (ethical) meaning and implications of its standard concepts such as production, consumption, utility and the market, let alone development itself. It stumbles among these as if partially sighted, a lack of vision that is compounded in turning to development where the urge to prescribe is rarely matched by attention to context.

For reasons laid out later to do with the latest phase of economics imperialism, some of these features are liable to change in the near future. But 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. He has not, however, fully compensated for many of the lacunae outlined in the previous paragraph. The key issue now is how his contributions will be taken forward. This paper argues that the evolution of his work, from social choice to development as freedom, has brought us to an appropriate starting point for further work but only by rejecting the route he has taken. For Sen can be interpreted as negotiating a number of tensions, not simply nor primarily those of interdisciplinary endeavor. In this paper, the focus will be on two tensions, between micro and macro, or the individual and the social; and also between generality/formalism as opposed to specificity/context. Sen can be seen as moving both from micro/individual to macro/social and from general/formal to specificity/context. By critically tracing the trajectory of his work, the case is made to begin where his journey in part appears to end.

II From Social Choice to Development as Freedom

Social choice theory, from the classic Sen (1970) to his Nobel acceptance (Sen (1999b)), has remained at the heart of his thinking. In retrospect, two central issues have been raised and resolved. First, supposing the value of alternative states of the world to different agents could be quantified, then interpersonal comparisons come to the fore – how much should one person's welfare count against another's? Second, a dual problem, is the intensity of one individual's preferences – how much weight should be given to one individual's welfare in moving from one alternative to another of different utility?

Crucially, for each of these issues, much analysis has been purely formalistic, with both ethical and substantive issues on the backburner. We have little or no idea who are the individuals, (poor, rich, men, women,…), nor the alternatives over which they have preferences (food, arms,…). In addition, society itself is absent – beyond somehow offering individuals unexamined choices, and being the outcome, in principle, of individual choices. The framework is one of deriving the social from the individual, with no feedback in the other direction. Sen himself simply but devastatingly puts it, "Another issue, related to individual behavior and rationality, concerns the role of social interactions in the development of values, and also the connection between value formation and the decision-making processes. Social choice theory has tended to avoid this issue" ((1995), p.3).

One way of interpreting Sen's subsequent work is in rendering social choice less individualistic and formal. As Sen suggests, "Also, some investigations, while not directly a part of social theory, have been helped by the understanding generated by the study of group decisions (such as the causation and prevention of famines and hunger, or the forms and consequences of gender inequality, or the demands of individual freedom seen as a 'social commitment'). The reach and relevance of social choice theory can be very extensive indeed" (1999b: 350).

Inequality is the first step. Over and above the general if not universally valid claim that more income is better, ethical considerations can be introduced concerning income distribution. Alternative states of the world are simply specified as different numerical distributions of income. These are ranked according to (I) how each person's own changes in income are valued and (II) how one person's income is measured against another's.

Formally, for (I), Atkinson (1970) suggests the use of a parameter ε to measure inequality aversion. This is misleading because inequality is not addressed directly by the parameter ε as it pertains only to changes in income for a single person. It is attached to a measurement of inequality only by adding up ε-adjusted incomes across individuals. To gain a measure of inequality, interpersonal comparisons, (II), must also be made. Atkinson implicitly does this by treating all individuals equally subject to ε –adjusted incomes. As Fine (1985) shows, rather than setting the parameters of interpersonal comparison, bi all equal to 1 (weight all people the same as does Atkinson) and varying ε (more or less inequality-averse), the bi can vary with ε fixed. Raising the bi for those on lower income represents a greater bias against inequality. So, varying ε and the bi are essentially equivalent to one another from a formal point of view. Obvious in retrospect, the less you rank more income for an individual, the more you favor the poor against the rich in interpersonal comparisons and vice-versa.

This result highlights the formalism of the inequality literature and its limitations. For, whilst the two approaches to inequality are mathematically equivalent, they are far from ethically equivalent. Comparison of given incomes between people is entirely different from comparison of different incomes for a single person. Further, the ethics can only be engaged meaningfully at some level of detail concerning the nature of the people and the uses to which income is or can be put. For Sen, "To try to make social welfare judgments without using any interpersonal comparison of utilities, and without using any non-utility information, is not a fruitful enterprise" ((1995), p.8).

Sen's turn from inequality and poverty to famine can be viewed in these terms. Food and starving are concrete applications. Sen counterposes the entitlement approach (EA) to supply-side explanations, food availability decline (FAD). Two features stand out from EA, which marks continuities with his previous work. First, the formal analytics of EA are derived from set-theoretic microeconomics, with generalization through access to non-market-related entitlements. What can I get from what I have, given the conditions for transforming one to the other? Consequently, EA is individualistic in methodology. Second, as is immediate, the formal analytics of EA are not food-specific. They could apply equally to anything – whether basic needs or luxuries.

This is not to suggest that EA, as deployed in practice, is purely micro-based, and never macro, and fails to be food-specific. As Sen ((1999a), p.170) argues, famine is dependent upon "the exercise of power and authority … the alienation of the rulers from those ruled … the social and political distance between the governors and the governed". Such considerations, however, tend to enter separately from the micro-analytics of

entitlements. In part, macro references to food and famine arise directly out of empirical applications rather than from the theory. The macro-social also enters more obliquely through the incorporation of social relations, structures and processes. But these are superimposed, not built, upon the micro-foundations. An obvious example is the class of landless laborers. Unable to produce for own consumption or to command sufficient (wage) revenue or payment in kind to gain sustenance, they are potentially subject to famine irrespective of overall aggregate supply of food. Yet, such arguments pre-suppose social relations on the land, between landlords and laborers, and in the distribution of food. None of these is reducible to the individualistic micro-analytics of EA.

My own assessment of EA, (Fine (1997)), was motivated less by famine than by earlier research on food that drew upon a broader study of the determinants of consumption. The organizing theme was to hypothesize that commodities serving consumption are attached to distinct, integral "systems of provision" – structurally integrated along the chain of activities from production to consumption itself, as in the clothing, energy and food systems[4]. As a result, I was acutely sensitive to the limited extent to which EA had in theoretical principle, if less guilty in empirical practice, addressed the specificity of food and of food systems as the latter vary by crop, time and place. In a nutshell, given its transparent conceptual and technical origins in the mainstream microeconomics of feasibility sets, EA is profoundly neutral with respect both to underlying social relations and historical specificity (except in defining endowments and their potential transformation into outcomes) and to the specificity of food itself in both material and cultural terms.

At this time, I was already concerned with developments in or, more exactly, around economics[5]. In brief, my argument is that economics has been colonizing the other social sciences as never before. This is a consequence of its new micro-foundations with informational asymmetries to the fore. On this basis, economics purports to explain the economic and the non-economic as the rational, path-dependent response to market imperfections. This includes economic and social structures, institutions, customs, cultures and so on. Previously, in the older form of "economics imperialism", the non-market was addressed as if it were akin to a perfect market, most notably in the work of Gary Becker. Now there is a corresponding reductionism of the economic and the social to market, especially, informational imperfections. It has given rise to a whole set of "new" fields within economics – the new microfoundations of macroeconomics, the new trade theory, the new financial, the new development, the new institutional, the new labor economics – as well as new fields outside economics or influence upon the old – the new political economy, economic geography, economic sociology, and so on. I have parodied such initiatives by the formula ss=e=mi^2. First all economics is reduced to market imperfections, mi, and methodological individualism, mi, (in the form of imperfectly informed rational economic agents). Then, all social science is reduced to such economics.

hese perspectives informed my assessment of EA. I suggested an unresolved tension in Sen's own work – between the micro-foundations of the entitlement analytics and the broader recognition of famine as irreducibly macro, not least because famine is more than

the sum of its individual parts – not merely personal starvation for the many. Is famine the choice to starve by self or other on your behalf, a replicated but rational response to market imperfections? Sen commendably refrains from attaching the EA to the new micro-foundations despite his micro-analytics (and emphasis on the informational role to be played by a free press). Nor have I come across any sympathy for such an approach in his work, hardly surprising in view of his uncompromising stance on "rationality", (Sen 1977).

Further, when he addresses the macro, it is from a perspective independent of the micro – as in the role of the free press and democracy in guarding against famine, although classes are at times perceived to have entitlements. Further, I argued that the same micro-macro tension is to be found in the EA debate. Those adopting a critical stance towards EA have not so much been engaging with it as an alternative to FAD as questioning whether their macro-interpretations of famine had been or could be accommodated within EA – issues of the nature of property, violence, culture and custom, all heavy with ethical content.

This is an appropriate point to move on to well being, capabilities, development and freedom, with Sen (1985) as stepping stone. This constitutes more than a generalization and concretization of what has come before, as in the shift from inequality to famine. For, in the light of economics imperialism, there are other tensions than those attached to micro-macro. The marginalist revolution is recognized to have taken the social out of economics in two senses. It represented a shift to methodological individualism and the construction of the non-market as separate from the market. Information-theoretic economics claims to bring the social back in, on its own terms: - of optimization subject to informational constraints. Similarly, the path followed by mainstream economics initially separates out material and cultural analyses and sets the latter aside. Yet, once again in its own inimitable style, the current phase of economics imperialism is reintroducing the cultural (trust, customs, norms, etc) as an informational calculus.

Although Sen's work too has increasingly embraced the social and the cultural, once again, there is no evidence that he has been seduced by the unsubtle charms of economics imperialism. Indeed, if anything, there is a shift, at least discursively, away from the micro-analytic technicalities of EA. The practice was established in the context of famine and can, subsequently, float freely to serve intermediate or macro levels of analysis across capabilities more generally. In short, Sen (1999a: xii) sees a "deep complementarity between individual freedom and social arrangements". As in EA debate, commentators have questioned whether the macro, the social and the cultural have been or can be appropriately addressed on the basis of Sen's approach. Gasper and Cameron (2000), for example, edit a collection that explicitly assesses Sen's work in order to extend to it. Gasper, under the rubric of freedoms, achievements and meanings, questions, "whether to have more options is valuable depends on the meaning the options have for the actor and her audience" (2000: 999). Giri (2000) is concerned with well being as involving mental self-development and personal transformation towards sharing with

others, Cameron (2000) with Sen's neglect of opulence or upper end of capabilities, and Carmen (2000) with "capacitation".

These all sit uncomfortably within an individualistic and formalistic methodology. The social and contextual are imperative. Thus, the new welfare economics proceeds on the basis of informationally imperfect contracts between state and citizen. But, by extension of the earlier argument around the specificity of food (and other basic needs), it is essential to attach public as well as private contributions to capabilities to specific systems of provision, Fine (2002). To ask not only "How is each of health, education, housing and welfare differentially created, distributed and used" but also how these are interactive with, and constitutive of, corresponding cultures, ideologies and political practices, each with their own ethical content.

Whether for food or other capabilities, Sen's analysis does not appear to engage sufficiently with these issues to the extent that it remains formalistic/individualistic. In arguing, controversially, that famine (dire under-provision for the many) is liable to be avoided by the presence of a free press and democracy, what exactly is the analytical content of such an observation? Is it specific to food, or does the same apply to housing and education (and excessive mortality of female children)? What are the mechanisms through which the free press and democracy work (or not)? Are they the same or different across different capabilities, entitlements and freedoms? My presumption is that they are different both for the nature, forms, levels and incidence of provision and their mode of functioning. By the same token, the nature and consequences of the ethics of provision are diverse according to what is provided, by and for whom, and how.

III Conclusion

The lessons drawn from reviewing Sen's passage from social choice to freedom are:

- The social, contextual and empirical should be the starting point for discussion of economics and ethics as opposed to the individual, the formal and the a priori.
- . It is as important, if not more so, to examine how ethics are created as it is to target what they should be.
- . The connection between economics and ethics varies according to the specific entitlements, capabilities, developments and freedoms involved.
- Lastly, controversially and not previously argued, the study of the political economy of capitalism is the key to progress on these and related issues.

END NOTES

1 On which, see http://www.soas.ac.uk/departments/departmentinfo.cfm?navid=490

2 Shortly after this, I searched the whole World Bank web site to see if any of my works were cited as part of
its stock of knowledge. I found that the only occurrence of my name was in a document showing that I had proposed a theme for the ABCDE! It was not, by the way, immodesty that prompted the research. On the only occasion that the "World Bank" has engaged me in direct public debate, with Michael Woolcock on social capital, he insisted on each of us providing the other with three questions in advance. One of his was why did I only publish in obscure left-wing journals. Whatever the intent of his question, I presumed – it seems correctly more than I could have anticipated – that the search on the World Bank web site provided some part of a telling response.

3 Ultimately, the paper is a third of its original length.

4 For example, most recently in Fine (2002).

5 See website cited in footnote 1.

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