

**Indira Gandhi Institute of Development Research, Mumbai**

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**From the Selected Works of Srijit Mishra**

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February 15, 2012

## Sen on Capabilities

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## Commodities and Capabilities

(Based on Amarty Sen's above book in 1985, Ch 1-4, primarily 2)  
(also use Lancaster's 1966, JPE paper, sections 2-3)  
(and Robeyns, JHDC, 2005)

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Lecture 10, HD&P2011, 18<sup>th</sup> February 2011

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## Judge A Person's Well-being

- Is she well-off
- Is she happy
- Does he feel fulfilled
- Does she have much freedom
- Can he get what he wants
- Can she do what she would like to do
- Is society being good to him
- Is she having a good life

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## Plurality concerns and Utility

- It is fair to state that formal economics has not been very interested in the plurality of focus in judging a person's states and interests.
- In fact, this richness is considered as an embarrassment.
- There is a powerful tradition that tries to eschew the distinctions and make do with one simple measure – utility.
- Classical (satisfaction or happiness) or its modern form (desire-fulfillment).
- In modern economic analysis, utility also means other things: standing for whatever the person maximizes, person's well-being or person's advantage no matter how that is judged.
- Looseness means mathematical exactness of formulation has proceeded with remarkable inexactness<sub>3</sub> of content.

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## Difficulty in 'utility'

- Not in defining it as one or another
- Trying to combine various interpretations
- For instance: one's one view of welfare or one's choice of maximand, but if both are called utility and one implicitly presumes that what one always maximized is indeed one's welfare.
- Rational fools: Not able to distinguish questions about one's happiness, one's desires, one's view of one's own welfare, one's motivation, one's maximand in choice behaviour and so on.

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## Interest, well-being and advantage

- Sen's concerns is with an individual's interest and not action (though the two might be related).
- Interests and their fulfillment: well being (how well is her or his being) and advantage (opportunities a person has, especially when compared with others).
- Opportunities not to be judged by outcome (results). A person may have genuine advantage and still miff them. Or to sacrifice one's well-being for other goals. Freedom to achieve well-being is closer to advantage than 'well-being' itself.

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## Judgment of interest

- Wide relevance to economics: central to welfare economics, crucial to theory of poverty, fir assessment of inequality, judging economic development and for measuring standards of living or for an analysis of discrimination. For a descriptive theory of real income comparison or prescriptive theory of public policy.
- It is unlikely to get one measure of interest that is superior to all others and applicable in all contexts.

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## Lancaster – Consumer Theory

Lancaster (1966), JPE, 74 (2): 132-57 (134-137, 155)

- Current state of consumer behaviour: intrinsic properties of particular goods, those that make a diamond something different from a loaf of bread, have been omitted from the theory.
- In spite of this denial in theory, economists do take account of these properties (text book examples of substitutes or compliments and a whole set of market research).
- Another problem is addition of new commodity or quality variations.

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## A new approach

- Traditional: goods are the direct objects of utility
- Instead: it is the properties or characteristics of the goods from which utility is derived
- Input (consumption either singly or in combination) – Output (collection of characteristics)
- Utility (or preference orderings) would rank collection of characteristics and rank the goods indirectly through the characteristics that they possess.
- Assume: characteristics possessed are same for all consumers. So the personal element in consumer choice arises in the choice between collection of characteristics only and not in the allocation of characteristics to the goods.

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## Essence of new approach

- The good, per se, does not give utility to the consumer; it possesses characteristics, and these characteristics give rise to utility.
- In general, a good will possess more than one characteristic, and many characteristics will be shared by more than one good.
- Goods in combination may possess characteristics different from those pertaining to the goods separately.

General replacement of the traditional analysis (which remains as a special case), rather than as a special solution to a special problem.

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## Characteristics – Functioning

(Back to Sen)

Possession of food gives owner access to it properties: satisfy hunger, yield nutrition, eating pleasure, social meeting.

Characteristics do not tell what the person will be able to do with those properties.

(For example: parasitic disease, bicycle with disabled person)

Functioning is an achievement: what a person manages to do or to be.

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## Capability Approach

Functioning is different both from (1) having goods (and their characteristics) to which it is posterior and (2) having utility (say, happiness resulting from that functioning).

$$Q_i(X_i) = \{b_i | b_i = f_i(c(x_i) | z_i, z_o, z_s) \forall f_i \in F_i \text{ \& \& } x_i \in X_i\}$$

$Q_i$  is capability set defined over the different potential functionings  $b$  of the  $i^{\text{th}}$  individual given the resource constraint  $X_i$ .

The functioning achievement of an individual depends on the employed commodities,  $x_i$ , and the conversion factors  $z$  (individual, environmental, social – non-monetary constraints).

$f_i$  is a function that maps characteristics of commodities into the space of functionings. A functioning is an achievement of a person. What she or he manages to be or to do.

$c$  is a function that maps commodities into the characteristics space.

Functioning, Happiness, Valuation

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## Two Criticisms of Utilitarianism

- Being fully grounded on the mental attitude of the person (physical-condition neglect), and
- Avoiding any direct reference to the person's own valuation exercise (valuation-neglect)
- Considerations of feasibility and of practical possibility enter what we dare to desire and what we are pained not to get.
- Cannot be blamed of commodity fetish (command of goods – opulence). There is discussion through counterfactuals the complex notion of well-being.

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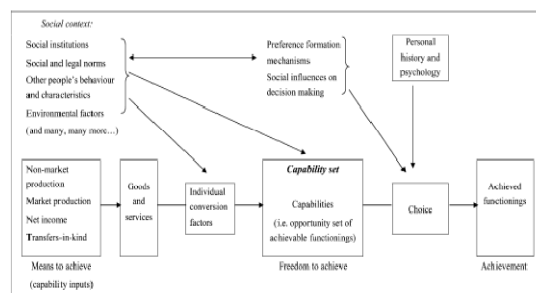
## Value and Desire

- In favour of partial ordering
- I value x, and so I desire it (Capability)
- I desire x, and so I value it (Utilitarian)

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## Capability Approach

(Robeyns, JHD, 2005)



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## References

- Lancaster, K (1966) A New Approach to Consumer Theory, *Journal of Political Economy*, 74: 132-157.
- Robeyns, I (2005): The Capability Approach: A Theoretical Survey" *Journal of Human Development*, 6 (1).
- Sen, Amartya (1985)) *Commodities and Capabilities*, Chapter 1-4 (primarily chapter 2).

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