

Sen's Capabilities Approach

Ryan Doody

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Background and Set-up

1. **The (Normative) Project of Economics:**

People have preferences over bundles of goods (and other things of value) that cannot be individually optimized because of (i) preference conflict, and (ii) resource constraints. *Question:* What is the best system for allocating goods (and other things of value) to individuals given these constraints?

2. **Measuring Well-Being?**

Human lives are what ultimately matters. What is the best economic system for achieving the optimal level and distribution of *well-being*?

- What is well-being? What kinds of things can make a life go better or worse?
- How can well-being be measured? How could we determine if one group were better off than another?

3. **Well-Being and Freedom**

There is a tight connection between "economic opulence and substantive freedom," but they can also diverge. If *freedom* is an important component of well-being, then measuring well-being only in terms of wealth (or, distribution of goods, more generally) can lead us astray.

Indicators of Standards of Living:

- Gross Domestic Product (GDP): the market value of all goods and services produced.
- Gross National Product (GNP): the market value of all goods and services by labor and citizen-owned property.

Valuing Freedom

Sen argues that "the freedom to determine the nature of our lives is one of the valued aspects of living that we have reason to treasure." Sen thinks that Freedom is valuable for (at least) two different reasons:

1. *Opportunity Aspect.* Freedom gives us more opportunity to pursue our goals.
2. *Process Aspect.* The process of choosing what to do is something that we value in-and-of-itself.

Sen makes a distinction between *culmination outcomes* (what things you end up with) and *comprehensive outcomes* (what things you end up with plus the way in which you end up with those things).

The Capability Approach

1. **What Is Well-Being?** We need to decide "which features of the world we should concentrate on in judging a society and in assessing justice and injustice."

- (a) *Utility-Based Approach*: focus on individual happiness or pleasure.
- (b) *Resource-Based Approach*: focus on income, wealth, and resources.
- (c) **Capabilities Approach**: individual advantage is judged in terms of an individual's capability to do things he or she has reason to value. [Note: Freedom plays a central role]

2. Some Clarifications

- (a) This is an account of what Well-Being partially consists in; it is *not* providing a formula by which to measure Well-Being.
- (b) The account is concerned with "a plurality of different features of our lives and concerns."
- (c) Important Point: *the Capabilities Approach emphasizes that the *means* of achieving a satisfactory life are not themselves the *ends* of living well.*

3. Achievement vs Opportunity

Q: *Why focus on what a person is able to do rather than what a person actually ends of doing?*

A: Because it allows us to make an important distinction between how well-off someone is due to choice and how well-off someone is through no fault of their own. Also, the capability to choose between different affiliations, even if one never does so, is important in its own right.

Sen argues that The Capabilities Approach has important consequences for how we ought to think about Economic Sustainability, the Environment, and Global Poverty.