

Economic Growth and Development
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Lecture – 16
The Human Development and Capability Approach

Hello, and welcome to lecture 16 and week 6 of this NPTEL MOOC's course on Economic Growth and Development. We are taking the discussion on Human Development forward. I have titled the lecture of today's class as the Human Development and Capability Approach. Now, in the period of last two and a half decades the materials and the literature on human development has grown enormously as I have pointed out to you in the last class.

However, what is lacking in this is that we yet do not have a textbook on human development. And, there are a lot of materials and literature in the public domain and they have been put together by practitioner's human development practitioners and theorists like. And, this has the literature by itself has become multidisciplinary and interdisciplinary. Therefore, it is quite a task to bring together the materials on human development and present to you in a coherent manner, because the development in this literature has been multifaceted.

Let me inform you that most of the materials that, I am using as a part of this class is taken from scholars such as a Ingrid Robbins and Sabina Elke Ray and Severine Deneulinah, who have written exhaustively and extensively on these issues of human development and capabilities approach. For those of you who are interested you may also like to look at the human development and capabilities association. As also the journal of the human development and capabilities association, you may also want to look up the website of the Oxford Poverty Human Development Initiative, which has a lot of literature on issues surrounding this.

I have also taken a literature from Fukuda Parr and Amartya Sen, particularly Amartya Sen's 1999 book on Development as Freedom. Now, what we will do in today's class like the last class is divided into 2 parts. In the first part I will introduce you to this paradigm of human development, what are the major concerns with regard to this paradigm of human development.

How do we view this paradigm of human development? And in the second part of this lecture we will take baby steps towards looking at the concept of capabilities approach. And, let me be very particular here by telling you that, the capabilities approach that, we are trying to do here is sense capability approach, because there have been various extensions and improvements over sense capabilities approach, which are also in the public domain. But for today's class we are primarily concerned with sense capabilities approach.

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Defining 'successful' development

- ❑ Objective of sustaining high economic growth rates – unit of analysis is the economy
- ❑ When we shift attention to an approach of development in which people's choices are expanded – expanding their freedoms – unit of analysis is the person
- ❑ So, two shifts are taking place when we alter our conceptualizations of development: first, the analysis shifts from the economy to the person, and second, the currency of assessment shifts from money to the things people can do and be in their lives, now and in the future
- ❑ So normative frameworks and ideas about what matters have enormous practical implications
- ❑ The people-focused approach, is also known as the human development and capability approach.

Now, in the last class we discussed about how to conceptualize development. And how normative frameworks matter, when we are trying to conceptualize the idea of development. So, one of the difficult challenges in front of us is how to define successful development or how do we say development has been successful or a strategy of development has been successful. Now, we can take 2 examples here. One of the first example is that we can define successful development as having taken place, when sustained economic growth rates have taken place over a period of time.

Now, when the objective of sustaining high economic growth rates is the definition of successful development, then here what we are doing is we are considering economy as the unit of analysis. So, this is the first approach to defining successful development. Now, in this situation while the (Refer Time: 04:26) of analysis is the economy. And, this

economy may be the national economy or the economy of a particular region or of a sector, and the currency of assessment in this unit of analysis is invariably incomes.

So, we will mostly be looking at how GDP growth rates have taken place or how GDP per capita have grown over a period of time. But, a second approach to defining successful development would be to look at, how the choices of people have expanded over a period of time or the objective is to expand what people are able to do and to be. And, this is also referred to as in the human development paradigm this is referred to as whether the real freedoms or effective freedoms of people have expanded or not over a period of time.

So, in the second approach what is happening is that the unit of analysis becomes the person. We are largely concerned with what are the choices available to the individual, what are the social choices, the political choices, the economic choices, available to people or a person and during a given period of time or a point of time in a particular region in the world. So, essentially we are asking questions or we are trying to find solutions or answers to whether the person or a group of persons concerned here have good access to education, to health, to political liberties have been sufficiently empowered.

Whether, human rights have been protected, whether environmental rights have been protected and so on and so forth. When, we are looking at these 2 approaches of defining successful development, you have to notice that there are 2 shifts taking place when we are altering our conceptualizations of development. The first shift takes place with regard to the unit of analysis. So, in the first case the unit of analysis was the economy. And, in the second the unit of analysis shifts to the person. And, the second shift is with regard to the currency of assessment of these 2 approaches. In the first case, in the case of high economic growth rates the currency of assessment was incomes. And, in the second case we are concerned with people's freedoms.

We are concerned with what people can do and be in their lives now and in the future. Now, it is important to understand that both of these approaches or both of these approaches to conceptualization of what constitutes successful development has its tradeoffs. In the first case in the case of economic growth say the tradeoff is with regard to whether the distribution of incomes among the population have been done properly or

not. And, the second is to look at the dynamics of this distribution of income, the time period within which this distribution of income takes place.

In the second approach in the people centric approach or when we are concerned with expanding peoples freedoms, also there is a tradeoff. And, this tradeoff is with respect to the dimensions, the focus should be on which dimensions. When we are looking at expansion of freedoms, expansion of freedoms can come through provide provision of economic facilities, it can come through provision of social opportunities, it can expand through provision of political liberties and so on and so forth.

Now, when there are so, many dimensions of good life there are so many dimensions of improving quality of life and what are the tradeoffs here? So, should the focus be more on economic facilities or should the focus be more on social opportunities. And, needless to say of course, there are interconnections between each of these dimensions; so essentially normative frameworks and their ideas about what matters have enormous practical implications. In the last class, we saw how normative frameworks can feed into positive and predictive frameworks. How normative frameworks can be taken as a starting point for debating and discussing, what is the policy of development? Or, what is a development model that needs to be taken up?

So, normative frameworks and ideas about what matters can have enormous practical implications and the practical implications here of course, the policy choices that we are making. And the second approach is what is referred to as the people focused approach. And, this people focused approach is also otherwise known as the human development approach or the capability approach. The human development approach draws heavily from the literature on capability approach and therefore, they are often synonymously used.

Although, there are differences between different formulations of capabilities approach today, the way the terminology has progressed over a period of time there is a lot of differences. Let me before moving on to the rest of this lecture also tell you, the that the significance of a capabilities approach lies in the fact that over a period of time it has become interdisciplinary and multidisciplinary. Now, that is to say that the capability approach is not just used by scholars of one discipline researchers of scholars and

students and researchers of one discipline it is used across disciplines. And therefore, the reading of the literature on human development is also very different.

Because, the disciplinary lens which is used by the students and scholars of development studies, or development economics, or development sociology, whatever you may want to call is very different. The reading of the literature and capability approach is highly influenced by the disciplinary lens that is used by the students and scholars of development studies.

So, it is really a challenge to engage in a cross disciplinary, debates and concerns regarding human development. So, for example, in European political philosopher might want to dissect the usage of the term freedom by Amartya Sen. Amartya Sen, extensively uses the term freedom in his formulation of capabilities approach, but a European scholar might want to lay a large amount of weight on this how this conceptualization of freedom came to be.

Whereas, somebody who is a development applied development economist or an applied development analyst might want to see, how this conception conceptualization of freedom helps him or her evaluate the kind of economic policies that have been practiced in a given country in a given point of time. Similarly, mainstream economists may be concerned about the similarities and differences of the capabilities approach with the axiomatic welfare economics. How it differs from axiomatic welfare economics. Whereas, heterodox economists will be more worried about, whether or not capability approach will suffer from the criticisms that are meted out to mainstream economists, which largely deal with formalisms and oversimplified assumptions with regard to how a society or an economy functions.

So, whenever we are discussing or scrutinizing or evaluating the capability approach, it is important that we keep this in mind that this approach itself has various interconnections and it has significance in various contexts. The second important qualification to before we enter into this whole discourse of human development and capability approaches that, the capability approach the theory or the approach as it is not just used by academics. It is also used by people working at the grassroots level.

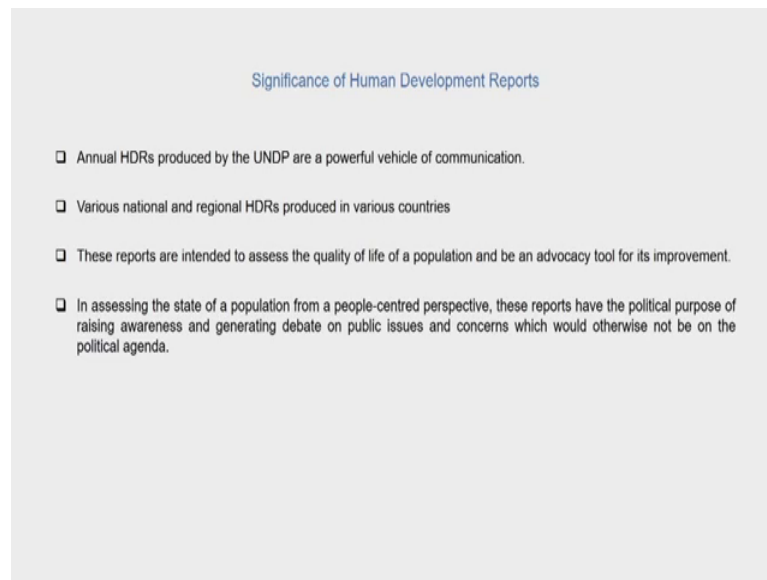
So, it is used by NGO professionals, it is used by civil society activists, it is used by public officials who are making things work at the grassroots level. And, often they are

looking for solutions from the capabilities approach as to how people centric it is and how they can actually implement, what the theory tells with respect to reflecting expansion of freedoms or expansion of peoples choices at the grassroots level, but often when we enter into an academic discussion of capability approach, there is no solution, there is no clear cut solution with regard to how freedoms in what form freedoms can be expanded? Or what are the immediate outcomes in which can which can show that capability approach has is reflecting in translating of those freedoms.

So, a capability approach is used in the study of problems of the developing countries of the global south as well as the global north. And, this is one thing that we must keep in mind. Another, important point that leads to be borne in mind is that is with regard to the writings of sin on capability approach. And, we must understand here that sin began talking about a capability approach in 1979. And, in the subsequent years he has written widely, in books as well as in journal articles, he has refined his idea of a capabilities approach in various forms of writing. So, the and there has been a lot of refinement over the period of last 2 decades in this concept.

So, his formulation of this concept of capability approach has been very gradual. And, it has been very organic in a sense. And therefore, if one is to understand or is to get a full implication of what he means by the capability approach? One needs to go back to all of these writings dating back to 1979, which is of course, very difficult to do within the format of a course such as this. Therefore, we will make some so, we will dilute some of the materials and try to make it more accessible to the general audience, by pointing out what are the most important things that he was trying to communicate through his formulation of the capabilities approach. Now, having said this let us move on let us spend a little time on the publication of the human development reports or the united nations development programs HDRS as we know.

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What is their significance and why they have been influential in policy circles in these years? Now, the idea of human development has been circulated in policy circles and public debate for the past 2 decades, through the human development reports of the UNDP. One of the last classes I had given you a summary finding of the very first Human Development Report the 1990 HDR, which elaborated on the concepts and measurements of human development with the focus being on the human development index. The index was first introduced through the 1990 a HDR. And, subsequently various other HDRs have been produced by various countries across the world at the national and at the regional level.

And, also at the provincial level many countries have gone to the extent of providing human development reports at the provincial level India is one example. India regularly produces state level human development reports and there are some states which also produce district level human development reports. And there have also been attempts at producing Panchayath Level human development reports.

So, that shows the significance of this engagement surrounding the idea of human development. And, what do these reports do? These reports are basically intended to assess the quality of life of citizens of a country. So, they are drawing from a large body of non-monetary indicators of development that are available on health, on education, on

financing of health and education services, on political freedoms, on work related issues, on issues of subjective well-being and so on and so forth.

So, in assessing the state of a population from a people centered perspective, these human development reports. Basically have a political purpose of a raising awareness and generating debate on public issues. And, concerns which would otherwise not be on the political agenda. You will also consider the human development reports as some sort of a vehicle, for communicating the concerns of the public at large. And, note here that most of these human development reports published at the regional level or sub regional levels are carried out by independent agencies, and they are provided to the government for deliberating on the issues or the highlights of the of these reports that have been worked out by people.

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1990	Concept and Measurement of Human Development
1991	Financing Human Development
1992	Global Dimensions of Human Development
1993	People's Participation
1994	New Dimensions of Human Security
1995	Gender and Human Development
1996	Economic growth and Human Development
1997	Human Development to eradicate poverty
1998	Consumption For Human Development
1999	Globalisation with a human Face
2000	Human rights and Human Development
2001	Making new technologies work for Human Development
2002	Deepening democracy in a fragmented work
2003	Millennium Development Goals : A compact among nations to end human poverty
2004	Cultural liberty in today's diverse world
2005	International cooperatin at a crossroads
2006	Beyond scarcity: Power, poverty and the global water crisis
2007/08	Fighting climate change: Human solidarity in a divided world
2009	Overcoming barriers: Human mobility and development
2010	The Real Wealth of Nations: Pathways to Human Development
2011	Sustainability and Equity: A Better Future for All
2012	Sustainable Development Goals (SDGs)
2013	The Rise of the South: Human Progress in a Diverse World
2014	Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience
2015	Work for human development
2016	Human Development for everyone

These are the human global human development reports brought out by the United Nations Development Programs, since 1990 the latest report was in 2016. And as you can see each year the human development reports are brought out focusing on one or more sets of issues. It is very important that in the context of what we have been discussing as a part of this course. And, it is relevant to a course you look at some of the human development reports.

All of these human development reports are available on public domain the 1990 HDR concept and measurement of human development is a rich repository of statistical data,

on how measurements of human development takes place? It contains a very rich dataset on many countries across the world. And of course, makes very forceful arguments with regard to how investments need to be made on human development indicators or human development domains such as education and health.

You may also look at the 1991 report, which is titled financing human development. This report will have relevance in the context of what we have discussed with regard to public support led security and economic growth mediated security. The 1996 report titled economic growth and human development also brings out, the dichotomies between growth and development and also the interconnections between them. And, how both of them both growth and development there is a possibility that growth and development can be carried forward together.

The 99 human development report was considered to be some sort of a landmark, which talked about globalization with a human face. And, this was based upon the collaborative efforts of both the World Bank and the UNDP, where it was realized by the beginning of the 1990s that, because of the structural adjustment programs carried out by various developing countries, inequalities had arisen and that had severely setback the project of development. Because, the social sectors of these economies were severely hit.

And therefore, there was a need to carry on with the process of globalization with adequate amount of public investments made in the social sector. Look, at all of these reports. However, I have highlighted a few of them because I think it is important that you look at these reports in the context of what we have been discussing so far.

Now, it is also important that I mentioned to you who is the brainchild behind the human development reports, the person responsible for the publication of the first human development report was the Pakistani Economist Professor Mahbub ul Haq, who was one of the most important persons, behind economists, behind the formulation of the human development index. And, there is a longer history of collaborative work between Professor Mahbub ul Haq and Professor Amartya Sen, who together came up with the concept of expanding capabilities and talking about human development, which was shown as some kind of a competitive indicator vis a vis the GDP per capita, that was overwhelmingly being used in the till the 1980s or till the 1990s as reflecting a development.

All the sin had a lot of reservations with regard to the usage of human development index or reducing all human capabilities in the form of an index, which takes into account only few dimensions, because he was pointing out 2 expansion of peoples choices and freedoms, in various dimensions other than the that what was considered in the human development index. So, there were reservations that sin had raised with regard to the human development index. However, there was some kind of an understanding between most of these development economists regarding the fact that, HDI can be a better measure of development than, the GDP per capita indicator.

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Robert F. Kennedy, 1968

"The Gross National Product of the United States is the largest in the world, but that GNP, if we should judge our nation by that, counts air pollution and cigarette advertising and ambulances to clear the highways of carnage. It counts special locks for our doors and jails that break them. It counts the destruction of our redwoods and the loss of our natural wonder and chaotic sprawl. It counts napalm and the cost of a nuclear warhead and armoured cars that fight riots in our streets. Yet the gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country. It measures everything, in short, except that which makes life worthwhile".

In fact, Haq would also say that a country that sells weapons should not be considered more developed, than a country that has chosen not to make weapons and export them simply, because the production of weapons makes the GDP of that particular country significantly higher. Now, this is a quote on similar lines made by Robert Kennedy in 1968 in his speech that he gave with regard to the United States.

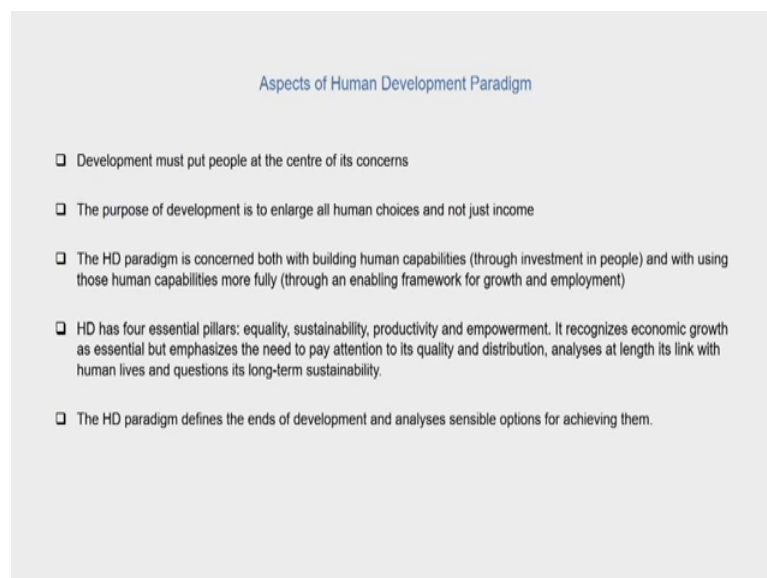
He said that the gross national product of USA is largest, but the GNP, if we should judge by our nation by that counts air pollution, cigarette advertising ambulances to clear the highways of carnage. It counts special locks for our doors and jails that break them; it counts the destruction of our redwoods the forests and the environment. And the loss of a natural wander and chaotic sprawl, he is talking about the associated costs of nuclear warheads and armored cars that fight riots in our streets.

So, he is basically saying that the gross national product does not allow for the health of our children quality of their education joy of their play and so on. It measures everything in short except that which makes life worthwhile. So, it is a very powerful speech that he is trying to make with regard to how the focus should be on people centric approaches to development and not just on GNP.

Now, let us look at after this introductory discussion on what is human development? Let us look at some of the agreements with respect to what are the aspects of human development. And, here it is important that we point out that the focus on human development is not something new. This has happened in the past as well and it dates back to many centuries even to Aristotle where, he was saying that that well this is evidently not the good we are seeking for it is merely useful and for the sake of something else.

Amartya Sen in his book development as freedom makes a lot of references to many such quote quoting by Aristotle and he says that the focus on human development is not something new. However, what is new in this is the formulation of the capability approach? And the formulation of the core concepts of capability approach, which can be applied to assessing here a development of countries.

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So, these are some of the aspects of human development paradigm on which there is a broad agreement that is showing on your slide now. The first is that the development or

human development must all forms of development of the conceptualization of success full development that we have just discussed, must put people at the center of it is concerns, the purpose of development is to enlarge all human choices and not just incomes.

The human development paradigm is concerned both with building human capabilities through investment in people and with using those human capabilities more fully. Through an enabling framework for growth and development another agreement with respect to the human development paradigm is that it has 4 essential pillars equality sustainability productivity and empowerment. It recognizes economic growth as essential, but emphasizes the need to pay attention to it is quality and distribution, analyzes at length it is linked with human lives and questions it is long term sustainability.

Now, as an example of the fact that yeah it is only incomes do not matter let us look let us consider this situation. Suppose our 12 year old boy wants to pursue secondary education. And; however, there are health concerns within the household and there is lowness of incomes. And therefore, the child in question here is not able to pursue his education, because of the constraints in income. And therefore, he has to work to be able to meet the needs of the family, this is situation a. And there is another situation where there may not be lowness of incomes in a household; the household may be sufficiently income rich.

But, the overall attitude of the household may be such that children girl children are not allowed to enroll in educational institutions. So, there is some kind of an some kind of intra inequality within the household where girls are not sent to school. Now, these are 2 situations one of our income poor household and 2 of a income not poor household and yet both of them facing both these children facing capability depravations. Now, capability approach allows us to engage ourselves and debate with both of these situations and bring them into the paradigm of assessing, how development should otherwise take place in both of these situations?

So, you could say human development paradigm covers all aspects of development, whether it is economic growth or international trade, whether it is fiscal deficits, whether it is a questions with regard to savings, investment, technology, capital formation,

expenditures and education, expenditures on health etcetera, but the what and so, all of these things fall within the scope of the development model as well as the as far as the human development paradigm is concerned.

But, there is only one point of reference which remains common here with regard to the human development paradigm. And that is that there should be widening of peoples choices and enrichment of their life. The reference point here is not, whether taking all of these into consideration the economy has grown, but after taking all of these into consideration whether people's lives have been enriched or not, whether people's choices have widened, whether peoples functionings have improved over a period of time. I have just used a term functioning which I will presently go to clarify what it means based upon sense capability approach. Let me take you through to some of the procedural concerns in applying the human development paradigm.

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Procedural concerns in applying human development paradigm

- ❑ Equity: draws on the concept of justice, impartiality and fairness. It incorporates a consideration for distributive justice between groups.
- ❑ Efficiency: refers to the optimal use of existing resources. *Economic growth* *Agency function/choice*
- ❑ Participation and empowerment: is about processes in which people act as agents – individually and as groups.
- ❑ Sustainability: is often used to introduce the durability of development in the face of environmental limitations but is not confined to this dimension alone.

So, let us discuss this by asking the question, what is the objective and what is the process of human development? But, the objective we know by now is expansion of people's freedom, but how can peoples freedoms be enhanced. How do we achieve the objective of widening people's choices or expanding peoples freedoms? Now, to be able to do that we will take reference from Mahbub ul Haq, who pointed out to 4 procedural concerns with regard to applying the human development paradigm? And, they are as follows first is equity, efficiency, participation and empowerment and sustainability.

Now, the efficiency criteria here most of you are aware of now it basically refers to the economic growth criteria. So, without spending more time on the efficiency criteria procedural concerns with regard to applying human development paradigm, let us look at the other 3 equity, participation, and sustainability. Now, this concept of equity, it is different from the concept of equality and it largely draws on the concept of justice impartiality and fairness.

So, it is more concerned with what is called distributive justice between groups of population? And, in human development we seek equity in space of people's freedom to live valuable a lives. And, it is different from the concept of equality, because equality means implies equality of all people in some space, but in human development equity draws attention to those who have, unequal opportunities due to various disadvantages, and may require preferential treatment or affirmative action. In the last class I was taking example of the policy of reservation in India, which is based upon the idea of social justice.

Now, providing equal access to primary schooling to all children within a country may be referred to as equality of opportunity to all children, but, but when we are referring to providing special benefits to certain sections of the community, because they have faced historical injustice over a period of time and to meet the objective of social justice special benefits need to be given to them, such as differently abled people, women, ethnic, minorities and so on then we are harping on to the concept of equity here.

So, there is a very clear difference between the concept of equity and equality. And one of the procedural concerns of applying the human development paradigm is the concept of equity, which draws heavily from the concept of social justice and impartiality and fairness. And, to be able to understand this difference a little more we will see how we will look into the Rolsian idea of justice in one of the future classes.

Efficiency of course, refers to how optimally we are utilizing our resources? And how that leads to economic growth? Participation and empowerment is about processes in which people act as agents - individually and as groups. And, it is about freedom to make decisions in matters that affect their lives and this. Possibility of people acting as agents is something that Sen has extensively written in terms of what he says is the agency

function of individuals in an agency function of women and others within our country. He is written about this extensively in his book development as freedom.

So, let us look at this in terms of an example. Suppose, we want to reform education system within the country and we want to use the human development paradigm for reforming the education system. Now, under the paradigm of economic growth one of the things that we would probably have done is to simply increase the levels of expenditure made on teacher education or infrastructure availability, or increase expenditures in providing schooling infrastructures and so on and so forth.

But, in a human development paradigm, it would make sense to take account of all the agents, who are involved in the process of education? So, that would include students, teachers, parents, NGO activist's, civil society activists, public officials and so on and so forth. So, what we are doing in this case is that in the human development paradigm is that we are drawing upon the agency of all of these agents that I have pointed out now, children, parents, teachers, local community, teachers unions, NGOs, the media, the ministry of education, finance ministry, social movements, and advocacy groups for education and so on.

So, whether at the level of policy making or implementation; this principle implies that people need to be involved at every stage not merely as beneficiaries, but as agents of a development. Who are able to pursue and realize the goals that they value or have reason to value. And, this is the importance of participation and empowerment as far as in the terms of being a procedural concern in applying the human development paradigm. The final point that Mahbub ul Haq was making was with regard to sustainability here, which is often used to introduce the durability of development. In the face of a environmental limitations, but it is not just confined to environmental limitations sustainability is also a concept, which is used in the context of social limitations, political and cultural limitations.

How socially sustainable or development policy will be, how culturally sustainable as a development policy will be, is also of importance here. So, these 4 principles are not exhaustive and there are various other approaches for example, the rights based approach and aspects of justice and responsibility that can also be added on to these 4 concerns.

And, they can all together provide the process of a human development the procedure the procedural concerns in applying human development paradigm.

So, this is the first part of our lecture in which we in which I in which I tried to introduce you to the human development paradigm. What are the main concerns, how we have been defining human development paradigm or human development how there are different approaches to conceptualizations of development. And, one of the most important face it with regard to the human development paradigm of course, is that we are putting people, at the center of all economic policies are all development policies. Now, there are of course, interconnections with human development and the capability approach, because the human development approach has grown from the capability approach.

And, let us now look at what are the central concerns or what are the central concepts within the capability approach. And, in the future classes, we will build on these concepts. As, I have already said that the human development approach has been profoundly inspired by a Amartya Sen's pioneering works in a welfare economics, social choice, poverty and famine and development economics.

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Origin of Sen's Capability Approach

- ❑ Sen's 1979 lecture on "Equality of What?" in which he questioned the adequacy of measuring equality in the space of marginal or total utility, or primary goods.
- ❑ In this lecture he outlined for the first time his conception of capabilities.
- ❑ The key idea of Sen's CA is that social arrangements should aim to expand people's capabilities – their freedom to promote or achieve what they value doing and being.
- ❑ An essential test of development is whether people have greater freedoms today than they did in the past.
- ❑ A test of inequality is whether people's capability sets are equal or unequal.
- ✓ The *Human Development Reports* describe the objective of 'expanding people's choices'.
- ✓ Amartya Sen's 1999 book was entitled *Development as Freedom*
- ✓ Sometimes the terms *effective freedoms* or *real freedoms* are used to emphasize that what matters is the actual possibilities not hollow promises or paper freedoms.

But, if we have to look at the origin of sense capability approach, we must look at the tenure lectures given by a Sen in Stanford University in 1979. And, in one of such lectures he was lecturing on human values titled as equality of what? And in this lecture

he questioned the adequacy of measuring equality in the space of marginal or total utility or primary goods. And, in this lecture he outlined for the first time his conception of capabilities, which has been developed in great detail since then by various scholars in this field across disciplines.

As Sen in his book *Inequality, Reexamined* had written that a person's capability to achieve functioning's, that he or she has reason to value provides a general approach to the evaluation of a social arrangements. And, the key idea of the capability approach here is that social arrangements should aim to expand peoples capabilities, their freedom to promote or achieve what they value doing and being.

And, this is primarily if one has to look at a definition of Sen's capability approach from where the human development paradigm has taken. One has to consider this as a working definition of what is Sen's capability approach. And, that is that what are the social arrangements within which and individual functions and the persons capability to achieve functioning's that he or she has reason to value, provides a general approach to evaluation of the social arrangements and this is a particular view of way of viewing assessment of equality and inequality.

An essential test of development which often send urges, his scholars, in the academic debate on growth and development is to ask this question that, whether people have greater freedoms today than they did in the past. And a test of inequalities whether people's capability sets are equal or unequal. So, these are some of the questions that people need to ask to be able to judge, what is the capability set of an individual?

And different phrases have been used to try to communicate these ideas. For example, the first human development report of 1990 describes the objective of expanding peoples choices, which is nothing, but expanding peoples freedoms or the concept of human development. Amartya Sen's 1999 book who was titled *Development as Freedom*, which means that development is not increase in incomes.

But, development is increase in freedoms of individuals. And in this context let me also inform you about the clear distinction that Sen has made in his previous work, on the difference between income inequality and economic inequality. So, he has written extensively on this concept of how income inequality is not the same as economic inequality, which had been so, for the longest period of time. Sometimes the terms

effective freedoms or real freedoms are also used to emphasize, what matters that what matters is the actual possibilities and not hollow promises or paper freedoms.

So, effective freedoms or real freedoms they are often also used synonymously, but these are used to mean what are the possibilities that exist for development? One of the things that this discourse on human development and capability approach has done is to change the vocabulary used in the in this debate and discussion on development and growth. So, having looked at the origin of Sen's capability approach, now let us look at some of the key terms that are used in the capabilities approach.

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Core structure of Capabilities Approach

The Capability Approach focuses directly on the quality of life that individuals are actually able to achieve.

A. **Functionings and Capabilities, Agency**

- ❑ **Functionings** are states of 'being and doing' such as being well-nourished, having shelter.
- ❑ **Capability** refers to the set of valuable functionings that a person has effective access to.
- ❑ **Agency** is the ability to pursue goals that one values and has reason to value. An agent is 'someone who acts and brings about change.'

B. **Valuation:** Which Functionings Matter for the Good Life?

C. **Evaluation:** What Capability does People Have to Live a Good Life? Evaluating capability is a second order exercise concerned with mapping the set of valuable functionings people have real access to. Since it takes the value of functionings as given, its conclusions will reflect any ambiguity in the valuation stage.

Freedom

And, that is the core structure of capabilities approach. So, this CA focuses directly on quality of life that individuals are actually able to achieve and there are 2 main concepts here functionings capability. There are 3 actually functionings capability and agency, functionings capability and agency, if one has to give a definition of functionings very briefly put it refers to the states of being and doing such as being well nourished having shelter.

So, when we are saying that the mortality rate of a country is such and such or we have escaped morbidity in this country to the level of such and such, what we are referring to is: what is the level of functioning is achieved within a country? So, the literacy rate the outcome indicators, the literacy rate the achievements in reduction of infant mortality rates achievements with regard to reduction of under 5 mortality rates.

Availability of drinking water these are all the achieved functionings, because then this means that the more the achieved the level of functioning within a society, the more an individual is able to be and do things that she values or has reason to value. So, being well nourished is a functioning, because being well nourished will help an individual to improve his or her productivity on work and which will go a long way in also adding to both growth and development.

He Sen has a detailed discussion on what is functioning in his book development as freedom, but and he defines functioning as the various things the person may value doing or being. So, in other words it means functionings are valuable activities and states that make up peoples well-being. So, being healthy well-nourished being safe, being educated having a good job, being able to visit loved ones, these are all examples of functionings and they are also related to goods and income, but describe what a person is able to do with these. So, for example, people when people's basic need for food is met, they enjoy the functioning of being well nourished. The second concept which is the which forms the core structure of capabilities approaches, what is called capability here and capability refers to freedoms to enjoy the valuable functionings.

So, in other words capability is also referred to as freedoms. So, so if you have achieved the functioning of being well nourished, then you have the capability of being able to do what you value or have reason to value? So, capabilities of the freedom to enjoy valuable functionings just like a person with a pocketful of coins can buy, many different combinations of things a person, with many capabilities can elect between many different functionings and pursue a very different life path. So, for this reason the capability set of a person has been compared to the budget set. And capabilities have been described by Sen as the real and actual possibilities open to a given person.

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So, we know that in economics we refer to a budget set, which is basically formed of prices of various goods and services the amount consumed of various goods and prices. Let us say let us say there are 2 goods x_1 and x_2 and $p_1 x_1$ plus $p_2 x_2$ gives some kind of a budget constraint of an individual, if money is the total income of the consumer here $p_1 x_1$ plus $p_2 x_2$ would refer to the total amount of consumption expenditure that she should carry on to be able to meet her basic needs.

Now, the capability set is also referred to as consisting of set of valuable freedoms. So, for example, the capability of being well nourished, the capability of being well nourished well educated, the capability of let us say having received higher education, technical education, all of these can go a long way in enabling an individual to make a choice regarding a profession let us say.

So, this is where a capability set have been equated to what is called budget set? Now, to be able to explain the functions and capabilities and the difference between functionings and capabilities, Sabina Al Qaeda and Severine Deneulin have worked out a case study. And, I would like to read from a case study, which they have worked out. This case study is from Mexico in which a person named George solace he is 17 years old. And, he is selling secondhand goods in a local in a in a residential area.

So, this case is that of George solace who began to work as a secondhand goods dealer this is what Sabina al Qaeda and Severine Deneulin have written about this case that he

is working as a secondhand goods dealer and he is 17 years old. And, this was because he and his mother were left on their own, his brothers and sisters had married and no one was there to help out with the household expenses. And, people know that the secondhand goods dealer is in the neighborhood.

When, they hear him shouting old appliances you want to sell this is what George would shout in the residential area regarding selling his secondhand goods. So, consumers would hear him and they would invite him to their homes to see what he is selling. And, one day this the person who is writing this case he says that one day I saw George through the window. And, I invited him to see what merchandise he had. So, this person who is writing the case is named Pedro and he asks George that, Sir I did not hear you shout I want to sell several things to you.

So, George says that the thing is I cannot shout, because I have a sore throat. So, then Pedro asks really have you taken some medicine for your sore throat, then George says no I do not have enough money to buy medicine. So, then Pedro says, but if you do not buy any medicine you would not get better and you would not be able to shout. So, as a consequence we would not be able to hear you and we would not offer you things. So, then George says well yes, but there is no other way. Remember here George background he is 17 years old he should have been in school, but he is selling secondhand goods in this residential locality, because he is left alone with his mother to tend to himself as well as herself and there is of course, a monetary constraint in the household.

So, George says to Pedro's intervention regarding taking of medicine that well yes, but there is no other way I just hope that people see me, even if they do not hear me shout so, that I will be able to get something today and sell it. So, essentially George is trying to sell secondhand goods in a residential locality and one fine day he comes with a sore throat he is not able to shout. And, there is a willing customer who would who wants to sell his goods to George.

But, he does not hear him shout. So, he calls him for a conversation and he finds out that he has a sore throat. And, then he intervenes by saying that you must take some medicine, because if you do not if you if you are not fit you will not be not be able to attract customers and hence your business will suffer to which George says that. So, be it, but that is all I can do I am just hoping that people see me and they sell their goods.

So, what does this story illustrate? What does this case illustrate here? It illustrates something very important in terms of the human development paradigm or the capability approach. George did not have the functionings required to be healthy and this restricted his possibilities of promoting his services and receiving a decent income. So, if George does not have more money, he would not be able to buy the medicine, he needs for his throat to heal and the circle of restrictions will not be broken. And, the functioning here is of being healthy so, the sore throat was a sign of being not healthy.

So, the fundamental lesson is that the basic functioning of enjoying good health can affect Georges capability set and in this case Georges capability set is being able to announce to the customers in the residential locality, that he is here to take secondhand goods. So, not having good health is also limited with a lack of instrumental freedoms such as financial means and social security.

We have already known that George is tending to his mother, his brother and sister are married and out of home and so, which means that he has a dependent and at home and he himself is also is not very well educated. So, there is a lack of social security, there are there is a lack of incomes at home. So, which means there is a lack of instrumental freedoms at home that can help him achieve his functions there is a lack of these instrumental freedoms. And, so, George had no access to affordable health services.

This case study further points out to give a conclusion to George's story, it says that George earns around 2500 Mexican pesos per month, which amounts to about 250 US dollars. And, he spends this money on food. So, he cannot; obviously, buy medicine if he gets sick. Because a large chunk of his income goes into food expenditure and this is one of the empirical facts with regard to the developing countries that when the countries are poorer or the poorer households tend to spend a large part of their incomes on food. And therefore, they are left with very little to spend on nonfood expenditures, this is one of the empirical facts of the evidences of the developing countries.

So, he is spending his most of his money on food and he cannot buy medicine if he gets sick. And, then Pedro says in his case study that last time he saw George he told him that his daughter is now working. And she has registered him at the Mexican institute for social security. So, he can now get free medical care. And then Pedro also asks him if he

planned to continue work in secondhand goods and his answer was I could not work in anything else what else could I do?

And, this is an important question to be understood, the implication of which is to be understood in the context of the human development paradigm and the capability approach. That how the capability set provides a constraint or restricts the functionings of individuals. And therefore, why the focus should be on capability said when he says I could not work in anything else what else could I do. So, the options or the choices for George to be able to work in different concerns is limited, because his capability set is limited, because of his because of the social arrangement with in which he is functioning.

The third important concept, which is at the core of the capabilities, which approaches the concept of agency and agency basically refers to a person's ability to pursue and realize goals that she values and has reason to value. And, according to Sen in his development as freedom he defines an agent as someone who acts and brings about change. So, the opposite of a person with agency someone who is forced or who is oppressed?

So, when we say the when in countries where, there is an absence of political and civil liberties we would say that people are not able to exercise their agency function in being able to bring about a change. Whereas, countries which provide a lot of political freedom and civil liberties along with the free media are able to exercise their agency in being an agent of change it is a plural idea in both concept and measurement.

And, there are 3 important as a few important points that one needs to keep in mind with regard to the agency function. One is that it is exercised with respect to goals the person values and has reason to value. Agency includes effective power as well as direct control and agency may advance well-being or may address other goals to identify agency means that there is an assessment of whether the agents goals are in some way reasonable or not. And, the agent's responsibility for creating or sustaining a state of affairs should be incorporated into his or her evaluation of how to act as an agent?

Now, even here to be able to translate the meaning of agency better; let us take let us take help from a case study that has been put for together by Sabina al Qaeda and Severine Deneulin. So, here they are talking about 2 sisters Anna and Becka and these 2 sisters they live in a peaceful village in England. And have the same levels of achieved well-

being. So, which means that they have access to many capabilities they are capable enough to be able to exercise their choice.

So, so, look at the context they are living in a peaceful village in England and have the same levels of achieved well-being, but both believe that the power of global corporations is undermining democracy. And that government should give greater emphasis to global justice this is what they believe in? And, Anna decides to travel to Genoa to demonstrate against the G 8 meetings, while Becka stays at home and at this moment Anna is using.

So, when Anna decides to go to travel to go to Genoa to demonstrate against the G 8 meetings, what she is essentially doing is she is using her freedom of agency to voice some of her political concerns. However, the Italian police do not like the protesters and they violate Anna's civil and political rights, by beating her up in person and Anna's achieved well-being has; obviously, been considerably lowered. And, Anna is given the option to sign a piece of paper declaring that she committed violence. And is a member of any stream left organization and if she does not sign she will be kept in prison for an unspecified length of time.

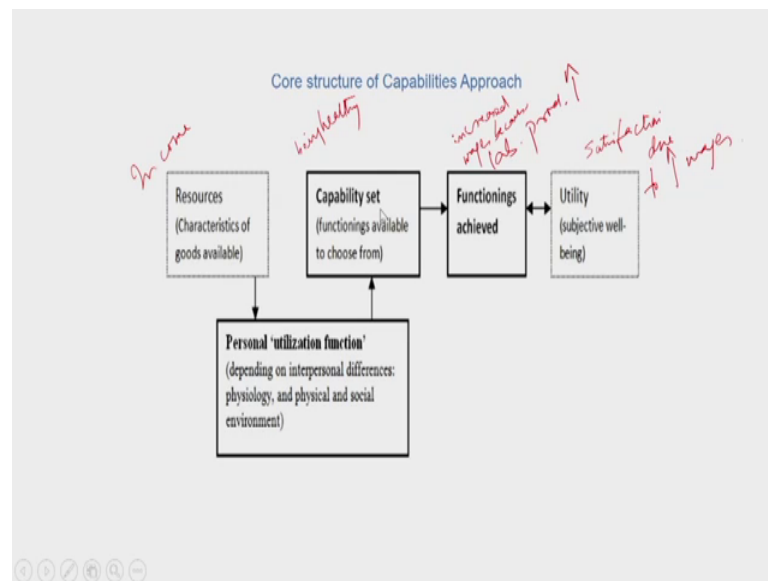
So, Anna has a highly constrained option to trade her freedom of agency for achieved higher well-being. Becka had the same potential agency, but she chose not to use it and she is concerned about human rights violations and the hollowing of democracy itself, but does not wish to sacrifice her achieved wellbeing for these goals. And, this example of this case study of the agency function shows that the distinctions Sen makes are important, because when we are doing evaluative exercises one has to ask, whether the relevant dimension of advantage is the standard of living achieved well-being or the agency achievement well-being freedom or agency freedom.

Now, there are 2 associated concepts, which is at the core structure of the capabilities approach one is valuation and the other is a evaluation. So, valuation basically asks the question which functionings matter for the good life. Here Sen argues that the correct focus for evaluating, how well off people are is their capability to live a life we have reason to value and not their resource wealth or subjective well-being.

So, in order to begin to evaluate how people are performing in terms of capability, we first need to determine which functionings matter for the good life and how much? Or at

least we need to specify a valuation procedure for determining this. And, to be able to explain evaluation he says that evaluating capability is a second order exercise concerned with mapping the set of valuable functionings people have real access to. Since, it takes the value of functionings as given it is conclusions will reflect any ambiguity in the valuation stage.

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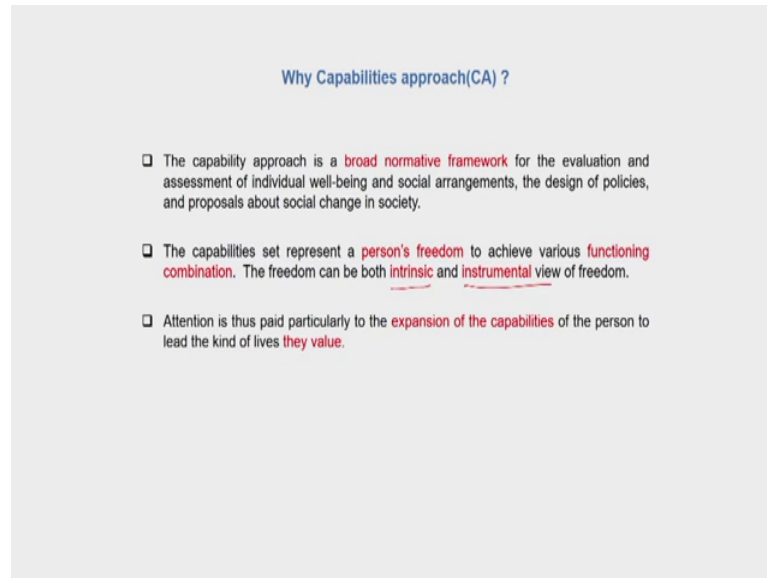
Now, so, this is at the core this is the core structure of the capabilities approach. So, you have resources which are the characteristics of the goods available. So, resources would mean the resources available at hand of an individual say let us say income is one resource here.

The capability set is the functionings available to choose from, which means that let us say being healthy is adding to the capability set of an individual. And these are the functionings achieved because one is healthy one may be better able to choose work let us say one has increased wages, increased wages, because labor productivity because labor productivity increased due to the due to being healthy. And that of course, leads to some utility and the utility here is the satisfaction that this individual received due to high wages.

This is how the core structure of the capabilities approach looks like. And personal utilization function depending upon the interpersonal differences, physiology physical and social environment, resources give rise to the utilization function, and the utilization

how well the resources have been utilized by the individual concerned here. Also determines, what is the capability set of the person or the group of persons that we are concerned with?

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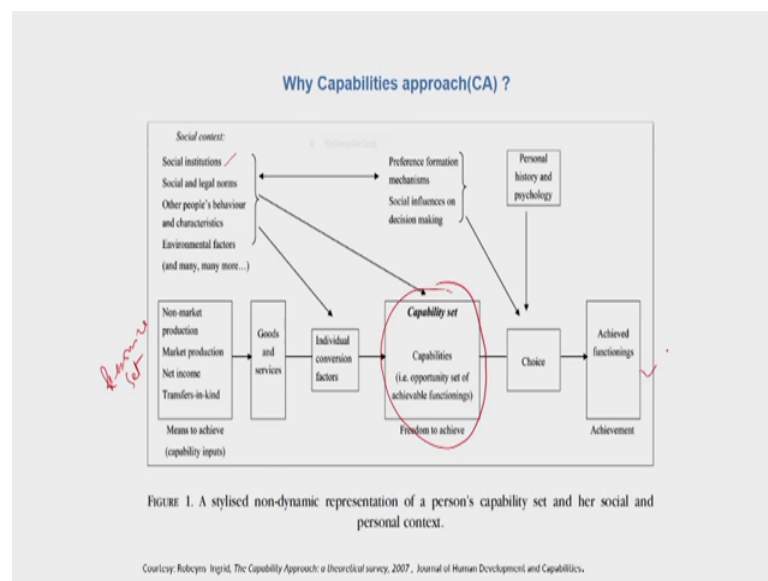
Why Capabilities approach(CA) ?

- ❑ The capability approach is a **broad normative framework** for the evaluation and assessment of individual well-being and social arrangements, the design of policies, and proposals about social change in society.
- ❑ The capabilities set represent a **person's freedom** to achieve various **functioning combination**. The freedom can be both **intrinsic** and **instrumental** view of freedom.
- ❑ Attention is thus paid particularly to the **expansion of the capabilities** of the person to lead the kind of lives **they value**.

And why the capabilities approach? In the context of the last class also, we can actually look at capability approach as a broad normative framework, which is used for evaluation and assessment of individual well-being and social arrangements.

The design of policies and proposals about social change in society, it represents the capabilities set represent a person's freedom to achieve various functionings, combinations. And, the freedom can be both intrinsic and instrumental view of freedom this is something that we will look in some of the future classes. And, attention is thus paid particularly to expansion of capabilities of the person to lead the kind of lives the value.

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There have been various stylized representations of a person's capability set and the social and personal context, various people have worked out on a stylized representation of what a capability set would look like. I will more stylized version that has been worked out in the literature in the future classes. This is a stylized non dynamic representation worked out by Ingrid Robbins in the book the capability approach a theoretical survey 2007.

Let us look at what are the important terms in this figure here? Now when we are looking at when we are trying to understand the capability set of an individual here. We first have to keep in mind the social context within which this individual exists. So, there are certain social institutions, social and legal norms, environmental factors within which the an individual or a group of individuals may exist. So, for example, the social context of India may be very different from the social context of say UK or within India. The social context of Bihar may be very different from the social context of Kerala.

So, what are the social institutions that guide or what are the social arrangements that guide the choices made by an individual is important and that enters into the capability set of an individual. So, one is the social context and then there is non-market production, market production, net income and transfers in kind. So, this is the resource set that is available to the individual.

And this resource set you can call this the resource set; the resource set here enables the individual to transform into goods and services. So, these are the individual conversion factors and the individual conversion factors are decided by the capability set or the opportunity set of achievable functionings. And, all of these together the social arrangements and the individual conversion factors taken together determine, what is the choice made by an individual? And, this choice will ultimately determine what is the achieved functioning of the individual concerned.

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The slide is titled "The Key points" in blue text. It contains five bullet points, each preceded by a square icon. The text is as follows:

- ❑ The CA contains three central concepts: functioning, capability and agency. A **functioning** is being or doing what people value and have reason to value. A **capability** is a person's freedom to enjoy various functionings – to be or do things that contribute to their well-being. **Agency** is a person's ability to pursue and realize goals she values and has reason to value.
- ❑ The HD and CA is multi-dimensional, because several things matter at the same time. Wellbeing cannot be reduced to income, or happiness, or any single thing.
- ❑ The HD and CA **combines a focus on outcomes with a focus on processes**. Four key principles are: equity, efficiency, participation and sustainability.
- ❑ Improvements or progress are assessed in terms of capabilities, hence policies should promote capabilities.
- ❑ The selection of relevant capabilities depends on the situation. Public debate can be useful. Considering standard 'lists' also help groups not to overlook key areas unintentionally.

So, to conclude this lecture let us look at some of the key points of the approach that we have discussed so far. The capability approach contains 3 central concepts functioning capability and agency. A functioning is being or doing what people value and have reason to value, capability is a person's freedom to enjoy various functionings to be or do things that contribute to their well-being.

Agency is a person's ability to pursue and realize goals she values and has reason to value. The HD and CA there both of them are multi-dimensional, because several things matter at the same time well-being cannot be reduced to income or happiness or any single thing. HD and CA combines a focus on outcomes with a focus on processes, there are 4 key principles equity, efficiency, participation and sustainability, improvements or progresses are assessed in terms of capabilities.

And, hence policies should promote capabilities. And the selection of relevant capabilities depends on the situation. So, public debate can be useful here considering standard lists also help groups not to overlook key areas unintentionally. In the future classes we will look at some of these lists of capabilities that have been worked out. Sen, himself never came up with any list of capabilities whereas; however, other researchers such as Martha Nussbaum has worked on certain lists of capabilities which are important in increasing the or expanding the capability set of an individual.

In the next class, we will we will look at the differences between the capability approach. And, some of the competing approaches such as that of utilitarianism, that we generally follow within the economic framework and the basic needs approach.

Thank you.