Amartya Sen on neo-liberalism

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Neo-liberalism's political doctrine and economic theory have always been closely connected. To begin with, both take their point of departure from John Locke's formulation of a political philosophy from a theory of natural rights. If a person has a right to himself, he has also, according to Locke, a right to the property that follows from his labour, given that it does not impinge on the rights of others. Even if it is easy for a neo-classical economist, with his view of man as fundamentally a *homo oeconomicus*, to get into neo-liberal positions, and even if economic theory has made itself especially noticeable lately, one cannot restrict neo-liberalism to being a narrow economic doctrine.

In principle, it may be said two kinds of neo-liberalism exist today. First, we have a libertarian tradition – from Aristoteles and John Locke to Ayn Rand, Eric Mack, Loren Lomasky, Tibor Machan, Jan Narveson, Murray Rothbard, David Friedman and Robert Nozick – which takes, as its point of departure, a natural rights based-rights-perspective and has a philosophical rather than economic-theoretical starting-point. Secondly we have an economical tradition – from Adam Smith and John Stuart Mill to Ludwig von Mises, Friedrich von Hayek, Milton Friedman
and James Buchanan – that primarily justifies free markets and capitalism with efficiency arguments. To these, freedom has mostly an instrumental value and is wanted only in so far as it leads to the wished for consequences, that are realised when markets are left to govern themselves with as little as possible government involvement.¹

Amartya Sen has, for many decades, directed severe criticism against both these kinds of neo-liberalism. The aim of this essay is to try to position this critique of neo-liberalism. To make this as simple and accessible as possible I will analyse the two neo-liberal traditions below and present Sen's incisive views along the way.

The Libertarian Tradition

Nozick's *Anarchy, State, and Utopia* is undoubtedly the most central work in the modern libertarian tradition.² I will begin my presentation by an analysis of some of the bearing ideas in his seminal work.

*Nozick's entitlement theory*

Nozick’s theory is based on what he perceives to be historically legitimately attained rights (“entitlements”). According to this a distribution’s fairness should be evaluated from how it originated and not from its consequences, making it fair if it has

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¹ For a presentation of these two lines of tradition in liberalism, see e.g. David Boaz (ed) *The Libertarian Reader* The Free Press 1997.
come about in the right way, i. e. without violating anyone’s rights.

Why do we have to accept the special standing of the rights? Is it really right to treat rights as inviolable independently of consequences? In real life many large reallocations occur (e.g. via the market) of "life-possibilities" without violating legal rights. Some become unemployed, or have to leave their homes or starve. Why do we have to accept this, and in what way is it just or right? Nozick has to take a firm stand on these questions since his consequence-independent view on rights would otherwise collapse totally. Procedural arguments do not allow exceptions. Rights and freedoms are of course important, and have to be considered when, for example, the consequences of a distribution are evaluated. But they should not be considered absolute and unconditional restrictions. Even the institutions that Nozick tries to legitimise with his theory – especially the free market – have to be considered from the point of view of their consequences. To judge the value of the market we have to understand fundamental social values such as well-being, freedom and justice. “The far-reaching powers of the market mechanism have to be supplemented by the creation of basic social equity and justice.”

Nozick is critical of the view that many rights-theoreticians have, namely that what has to be divided is a given cake, and that the “cake-dividing problem” can be treated independently of who has produced the cake and how. According to Nozick the problem cannot be divided into two independent parts, since the

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cake has been produced by individuals and these have rights attached to the cake.

The point of departure for Nozick's rights-theory is that every individual has rights to himself and that the individual in this regard is unique. Freedom and property-rights also follow from these founding rights. That the list of rights is not longer is not by chance. Nozick cannot extend the rights to include e.g. welfare without making his theory inconsistent. But Nozick never gives, amazingly enough, any grounds for his principle of self-ownership. He only refers to Locke as an authority and abstains from anything that is even faintly reminiscent of a satisfactory justification.

The derived rights originate through "someone's mixing his labor" with an "unowned object" and follow from the fact that "one owns one's labor." But why should an individual’s property-right be for the whole value of the object that his work is mixed with? Why is the property-right not only for the part of the extra value that one’s work has added to the object? Nozick gives no convincing answers, but only refers again to Locke’s proviso that there “be enough and as good left in common for others”. Nozick interprets this to mean that if appropriation of a non-owned object worsens the situation of others, the proviso is violated.

Compared to Locke’s formulation, Nozick’s is less severe. Where Locke means that there has to be “enough and as good” left to others, Nozick is satisfied by stipulating that the appropriation does not worsen the situation for others compared

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4 Anarchy, State, and Utopia p. 174.
to continued use of the object. And even if the proviso was violated, Nozick means that it could be compensated “so that their situation is not thereby worsened.”\textsuperscript{5} This implies that Nozick’s proviso can be satisfied even when an individual is worse off because of an appropriation, given that he can be sufficiently rewarded. But how do we know that the compensation is sufficient?

There is a fundamental weakness in the whole of Nozick’s argumentation in the defence of the private property-right and its inviolability. If property is appropriated without \emph{physical} violence it is according to the libertarian demands, unforced. But this cannot be the starting point of the reasoning but rather a conclusion. This is not the case with Nozick. On the whole his definition of coercion is strange. If a criminal righteously is put into jail, he is, in Nozick’s view, not forced to stay in prison. Such a juggling with concepts confuses more than it enlightens. Nozick's "moralized" definition of coercion (A is only forced to do x when he is exposed to \emph{illegitimate} force) and the argument built on it, is doubtful. To say that we are exposed to force only when it is illegitimate has counterintuitive consequences. When Nozick discusses the Lockean proviso it never occurs to him that one person’s appropriation can restrict another person’s liberty by giving the property-owner larger possibilities of dictating the other person’s life- and working-conditions. Nozick asserts that property-rights do not restrict freedom in his theory since they are valid. But given the special position of liberty in his theory, the question of whether the entitlements

\textsuperscript{5} Ibid. p. 178.
infringe on liberty has to be answered before it can be said that they are valid. The coercion that exists in the capitalistic relation is a structural coercion that emanates out of a group’s exclusive ownership and control over resources. How these resources came to belong to this group is less relevant from the point of view of justice.

According to Nozick all of society’s attempts to influence welfare infringe on liberty. But do they really? At university, for example, teaching positions are held by different persons according to certain criteria (patterns) – deserts, academic merits, etc. That we do not allow the holders of these positions to testament away their lectureships or professorships is difficult to perceive as a restriction of their freedom. To show that the patterns alter the freedom, Nozick first has to show that we have the right to carry out exactly whatever transfers we want to. But is liberty then really fundamental any longer? This is symptomatic for the whole of Nozick’s project, i. e. he wants to unite property rights and liberty. These are, however, difficult to unite and ultimately liberty has to be given up.

Sen’s critique of Nozick
Sen has criticised Nozick’s rights-based ethics for giving – like other duty-based ethical systems – a far too simple and one-dimensional solution to complex social and moral problems. In *Inequality Reexamined* Sen writes that Nozick’s approach is a lucid and elegant example of the strategy of “justifying inequality through equality.”

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In particular, Sen contends that Nozick is not able to give a trustworthy answer on the issue of handling situations where rights and freedoms are dependent on each other. The ethics of duty must be complemented with the type of consequence-valuations that are used within economics to give a more correct formulation of rights and freedom. With examples taken from e.g. his research on poverty and famines, Sen has tried to show that Nozick’s consequence-independent approach is misleading. Hunger and famines can also emerge in societies whose systems of rights may live up to the conditions set out in Nozick’s theory. If the possible consequences of a distribution of rights are hunger and famines, these terrible consequences should lead to a questioning of the rights-system’s moral justification. Rules of property rights have no self-evident superior priority when we confront issues of life and death. There are no absolute rights, because what is often put into question is precisely the legitimacy of those rights.

Libertarianism as liberty

Many neo-liberals today feel that Nozick’s theory does not have the power to convince. Instead they mean that neo-liberalism should be conceived as a theory of mutual utility or as a theory of liberty.\(^7\) Especially the latter has become common during the last ten years and argues that the unhampered market-society implies greater freedom than any other existing alternative. However, the theory is, as Sen and other critics have shown, founded on a serious error. It is not abstract freedom that it is all

about, but rather the freedoms and interests that are important and ought to be furthered. There is a difference between restricting our freedom to drive a vehicle at high speed in highly populated areas and restricting our freedom of speech. The latter freedom is simply so much more essential for making it possible for us to realise our "life-possibilities" and our fundamental life-projects.

Liberty-oriented libertarianism attacks the view that we as citizens should be entitled to other rights than those of speech, religion and property. Social rights – the right to medical attention, education, work and welfare – are not considered “real” human rights. Trying to assert anything else is said only to lead to a dangerous enlargement of state supremacy and devaluation of the status of rights.

Libertarianism takes its point of departure from a formulation of a theory of natural rights, where the rights are looked upon as sacred. Why we have to accept these rights’ exceptional status is, however, not obvious. Rights and freedom make possible the realisation of our life-plans and ideas of the good life. But they cannot – as often pointed out by Amartya Sen – be considered absolute and inviolable restrictions.

Rights and freedoms are of course connected to each other. That is the reason why libertarians want to restrict the meaning of the concept of freedom to only negative freedom – the absence of coercion. Not any kind of coercion, but only when persons exercise coercion is freedom held to be restricted. If social structures and property rights deny people access to food, education and safety, no one’s freedom is said to be restricted.
That lack of property does not only prevent the property-less’ self-determination, but also makes him an instrument to attaining others’ goals never enters the libertarian’s mind. Nor does the fact that some people’s property rights restrict others’ freedom.

To libertarians every re-distribution of welfare that ignores property rights is indefensible. But why should property rights be put above our rights to medical attention, education and health? To secure the possibilities of a decent life may demand redistribution, and meaningful freedom presupposes that we can develop our capabilities and take part in the welfare. Freedom has to do with more than property.

Amartya Sen has much to say about the libertarian idea of properties and the wonders of market economy. He has at various times scrutinised the libertarian theories and their rights or entitlement-based ethics and criticised them for giving a too simple and one-dimensional solution to complex social moral problems. Sen especially criticises the libertarians for not giving credible answers on how to handle situations where rights and liberty are mutually dependent on each other. Their deontological ethics must be supplemented with consequence-evaluations to enable them to give an adequate formulation of rights and freedoms.

Sen gives an example in *On Ethics & Economics*: “If person A is violating in a serious way some right of B, e.g. beating him up badly, does person C have a duty to help prevent this? Further would C be justified in some minor violation of some other right of person D to help prevent the more important
violation of B's rights by strong-armed A? Could C, for example, take without permission – let us say by force – a car belonging to D who is not willing to lend it to C, to rush to the spot to rescue B from being beaten up by A.\footnote{On Ethics & Economics (1987), Oxford: Blackwell, p. 72f.} Not according to Nozick's entitlement system (and other libertarian versions as well) since C is not obliged to help B and is obliged not to violate the rights of D. Omitting to act in such a situation does not violate anyone’s freedom according to libertarians. With such a view one can argue like Gauthier: "The rich man may feast on caviar and champagne, while the poor woman starves at his gate. And she may not even take the crumbs from his table, if that would deprive him of his pleasure in feeding them to his birds."\footnote{David Gauthier, Morals by Agreement (1986), Oxford: Clarendon, p. 218.} Such a “liberal liberty- and rights-system” is, however, hardly credible.

With many examples from his research on poverty and famines, Sen has tried to show that the consequence-independent view of the libertarians is basically misleading. Famine and starvation can appear even in a society whose rights-system at large would correspond to the libertarian theory. If the consequences of the distribution of rights are famine and starvation, these horrible consequences should lead to a questioning of the moral justification of the rights-system. As noticed above, rights of freedom and rules of property-rights have no self-evident overarching priority when we face issues of life and death. To Sen it is self-evident that we should not make a fetish out of freedom or rights.
Libertarianism and the idea of a welfare society are not reconcilable. The market and restricted (limited) constitutional rights cannot guarantee the fulfilment of basic individual and social goals that we all value. The libertarians’ futuristic dream of the millenial market-society is not Sen’s.

Libertarians have always been meticulous in delimiting human rights to be concerned foremost with the own property-right and the freedom to mind your own business. According to libertarians, rights and freedom are mostly a question of “not having to do with the authorities” and to live free of governmental interference”. But is this really freedom? Is it really a restriction of the freedom of the homeless when the municipality offers him a decent dwelling?

State-intervention does not necessarily mean that our freedoms are restricted. They can, on the contrary, enable and increase real freedom. Talking about freedom in abstractu counts for nothing. What really means anything is – as Sen has often stressed – capabilities. What joy does the freedom of movement give the disabled person if no one enables him to use this freedom? What good does it bring us to have freedom of the press if there are no newspapers or journals where we can put forward our views. When estimating welfare more weight should be laid on positive freedom (ability to achieve desired goals) instead of only negative freedom (absence of outer restrictions). Welfare is, as already pointed out in Sen’s Tanner Lecture 1979, best understood in terms of capabilities.10 Positive

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freedom is a kind of capability to function that has a direct value of its own, while the resources that can increase this capability only get an instrumental value in so far as they help us to achieve that which we really value – our capability to function under different circumstances. It is not possession of commodities or perceived satisfaction that at first hand give a measure of well-being, but our capability to make use of our possessions. To focus on capability means emphasising what goods enable a person to do, and not the goods in themselves. A metric of goods or utilities does not get hold of the fact that the point of our belongings is to create possibilities of choice. Functioning and capability are what matters. What makes us value our car is not the fact that we perhaps own it, but that we can use it to take us where we want to get. Even if freedom is something important in itself, it is most often not for its own sake that we search for it. ¹¹

Libertarians are oblivious of the fact that some persons’ entitlements can restrict the freedom of others, and that the want of property not only restricts the self-determination of the property-less but also makes him an instrument of others’ freedom. To this they respond that the more resources there are in society, the more the rich invest their capital to make production effective, and the richer all members of society become. In the libertarian society the egoism of the rich is linked fruitfully with the rest of society.

¹¹ The question of in what respect (“space”) people should be counted equal or unequal (primary goods, utility etc) is discussed at large in *Inequality Reexamined*, while the question of measurement dominates his *On Economic Inequality* (1973).
As Sen has pointed out repeatedly the issue is not only about the size of the cake, but also how to divide it. One cannot get away from the fact that the latter aspect strongly influences people's views on the justification of property-rights.

Unfortunately, the libertarians are often inconsequential when trying to defend their dogma. At first freedom and rights are said to be conceived as having a value of their own – they are holy, inviolable trumps. When shown that this leads to untenable consequences for equality and self-determination of the property-less, they retreat to an economistic viewpoint. Then private ownership, markets and competition are instead defended with utilitarian arguments about rights giving, on the whole, good consequences, that growth increases or some similar argument. The power of the market is made holy in the name of economic efficiency.

But you cannot fall between two stools. Either you stick to liberty and property-rights – like Rand, Locke or Nozick – or you defend laissez-faire capitalism with arguments of economic efficiency – as Hayek and Friedman. Both lines of argumentation are, as shown by Sen, equally weak, but at least have the advantage of being consistent and clear.

To defend property-rights with a reference to an overarching principle of freedom is untenable. A fortiori you cannot defend the free market-society with any such principle. If free markets are to be judged to give greater freedom or not, depends on what kinds of freedom we are talking about and how they are defined. Private property-rights limit some people's freedom and the welfare state can, in a likewise manner, both ensure and limit the
freedom of people. It is cynical to deny that unequal circumstances create injustice. The attempt of neo-liberalism to show that lack of resources and poverty are not a restriction of freedom only shows how weak their defence of the free market is.

The rights-based neo-liberalism – libertarianism – is basically a political-economic philosophy that defends the freedom of markets and perceives all social welfare policies and tax-based social redistribution attempts as a violation of inalienable human rights. These rights are so strong and far-reaching that state-intervention is equalled to forced labour and theft. If each and every one has the right to his property, the distributions that come about via the free exchanges of the market are just and in no need of re-distributive policies. The state shall only be a minimal state – subordinated to the market – and without other ambitions than upholding law and order.

That the libertarians’ catalogue of rights is limited to encompass only liberty and property-rights is no accident. If it were enlarged to also comprise e. g. welfare, the theory would be self-contradictory since property-rights could no more be said to be self-evidently superior to welfare. To neo-liberals every redistribution of welfare that sets aside property-rights is indefensible. But, as Sen over and over has asked, why should property-rights be put above our rights to medical attention, education and health? To most of us it is self-evident that safeguarding possibilities to a decent life can demand redistribution and that a meaningful freedom presupposes that we can develop our capabilities and partake of the welfare of
society. Freedom has to be about something more than property. It is not only about want of coercion, but about creating equal opportunities for everyone to lead a good life.

The economistic tradition

Within the economistic tradition, private property, markets and free competition are not defended with arguments based upon the theory of original appropriation, but with utilitarian arguments. The different manifestations of the tradition up until present day neo-Austrians and monetarists all take as their starting points Adam Smith’s discussion of the “invisible hand” and “natural freedom”.

Adam Smith and the invisible hand

Adam Smith was, like the other Scottish enlightenment philosophers, strongly influenced by the natural rights philosophy. Locke, under the influence of Hugo Grotius and Samuel von Pufendorf, had emphasised people’s natural freedom and right against the state. To Smith natural freedom meant, among other things, that the individual himself should have the right to decide for himself where to live and what occupation to take up. The legal system of society should protect people’s natural rights.

Smith combined Locke’s political liberalism with his own economic liberalism. To many he therefore became the great prophet of capitalism and free markets.
But, as Sen has repeatedly pointed out, Smith was no dogmatic free-market advocate who saw the unrestricted market as a sacred cow. Liberty was the basic principle, but, where needed for the sake of the best of the individual or society, he could think of accepting limitations of freedom. Smith was a liberal in the meaning that if the state interfered, it had to be well motivated.

 Normally there was no conflict between the individual’s own interests and the common good of the state: “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest."\(^{12}\) When the individual only looks to his own interests it is as if he is "led by an invisible hand to promote an end which was no part of his intention."\(^{13}\)

The principle of the invisible hand, however, did not make Smith shut his eyes to the need for a more visible hand to act when so needed. When natural freedom jeopardised the existence and welfare of society, it had to be limited. The invisible hand is not perfect. It sometimes trembles and then society (the state) has to intervene.

In *On Ethics and Economics* Sen writes: "The support that believers in, and advocates of, self-interested behaviour have sought in Adam Smith is, in fact, hard to find on a wider and less biased reading of Smith. The professor of moral philosophy and the pioneer economist did not, in fact, lead a life of


\(^{13}\) Op cit p. 456.
spectacular schizophrenia. Indeed, it is precisely the narrowing of the broad Smithian view of human beings, in modern economics, that can be seen as one of the major deficiencies of contemporary economic theory.”

According to Sen it is important to dispute the common description of Adam Smith as a single-minded prophet of self-interest. Although Smith was right to point out that beneficial exchanges on the market did not need any other motivational force than "self-love", he did emphasise other and broader motivations when dealing with problems of distribution and justice. "In these broader contexts, while prudence remained 'of all virtues that which is most helpful to the individual', he explained why 'humanity, generosity, and public spirit, are the qualities most useful to others'”

And just like Smith, Sen argues against those neo-liberals that maintain that the market has a value of its own, independently of its effects on people's welfare. As he has shown repeatedly in his studies of famines, the moral status of the market mechanism has to be related to the consequences of the market. If these are good or bad is a question of empirical judgement, not of a priori foundational judgement.

**Neo-Austrian economics and public-choice theory**

One of the most important problems within the social sciences is how to explain how order can emerge from all the different individuals’ plans and actions. How shall all the knowledge that

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is scattered around among the individuals come to the favour of all of us? According to the neo-Austrian philosopher and economist Friedrich von Hayek – under the influence of David Hume and Adam Smith’s “invisible hand” – this mainly comes about as the result of a spontaneous order emanating from nature. Contrary to organisations, it does not have any goals and is not intentionally rational. Its main merit is its capacity to economise on the dispersed information.

Hayek uses this theory to explain the evolution of society’s institutions, especially its legal rules, which he maintains have largely emerged spontaneously. The systems of rule that shows themselves not to be effective are selected away during the process of evolution and replaced by more effective ones. This thought that evolution should point towards higher and higher efficiency is also an integral part of Hayek’s defence of capitalism and a free market society.

Politically the neo-Austrians represent an extreme form of individualism that is common in neo-liberalism. Like the harmony economists of the 19th century it is maintained that free choices on the market create the best of all worlds. If you just let the free market carry on its own business without an intervening state, a social optimum is spontaneously created. As Sen has hinted at on many occasions, this market ideology can be questioned for expressing wishful political thinking rather than scientific and historical analysis. And commenting on Hayek’s championing of “unintended consequences”, Sen has to confess
that the recognition that many consequences are entirely unintended "can scarcely be seen as a momentous thought."\footnote{Development as Freedom, op. cit. p 257.}

Another exponent of neo-liberalism, the public choice theory, maintains that political decision-processes can be analysed in the same way as economic theory analyses individual consumers and firms. Just as these are governed by egotistical interests, politicians and other public decision-makers are governed by their endeavour to further their own interests. The will to be re-elected and exercise power makes these groups try to use and manipulate the political system for their own benefit.

According to the public choice theory, man is a rational, egotistic utility-maximiser. This applies both within economy and politics. Both in the election bureau and in the supermarket, man is as consumer and voter basically the same. Critics of the theory, like Sen, have argued that individuals, contrary to this assumption, can, and often do, behave altruistically when making both market and political choices.

Public choice-theorists hold the view that total unanimity reigns on the market, since a free contract between two parts implies that both are satisfied with the conditions. The market, a fortiori, fulfils the demands of democracy better than majority-decisions do.

Unanimous decisions should always be carried out – public choice theorists maintain – since they are economically effective in the sense that someone is better off without anyone else being worse off. At the same time unanimity is considered a guarantee
for an individualistic liberty-principle of a liberal type, since no majority can force a minority to change in a personal matter. As Sen, however, has been able to show, it is not always possible to construct a social welfare function that fulfils both these conditions (of Pareto optimality and liberty). Public choice theorists have tried to find a way out of this conflict by permitting people, through a kind of contractual procedure, to abstain from their freedom of choice for a compensation. This contractual theory can, however, be questioned on the same grounds, since the contract implies that the individuals’ freedom of choice is restricted. An individual may certainly prefer a special contract-construction, but since it means a selling out of his own freedom he may still not want to make choices based on such a preference.

** Freedoms and capabilities **

Sen has suggested that in judgements of welfare greater attention should be paid to positive freedom (capacity to reach sought-for goals) than negative freedom (non-existence of external restrictions).

The negative concept of liberty has especially been propounded by neo-liberals, while the positive concept has a stronger position in liberal and socialist traditions. What Sen is doing, is to rejuvenate the discussion by implanting a new precision of the concept of positive liberty by his concept of capability. Economists usually measure welfare in terms of what
people do or have, but Sen convincingly shows that welfare-measurement also has to include considerations of what people can do. "Indeed, sometimes a person may have a very strong reason to have an option precisely for the purpose of rejecting it. For example, when Mahatma Gandhi fasted to make a political point against the Raj, he was not merely starving, he was rejecting the option of eating."  

People value freedoms, and, as in his contributions to social choice theory, Sen has here explicitly introduced the value of freedom into the issue. To Sen, just as to Aristotle, "the usefulness of wealth lies in the things that it allows us to do – the substantive freedoms it helps us to achieve."  

This may seem to be a neo-liberal argument, but as we have seen it is not, since Sen's concept of freedoms is quite different to the neo-liberal. Superficially Sen's avowal of freedom(s) as a foundational ethical premise may be reminiscent of libertarianism's strong dedication to unrestricted "freedom", but they are in fact completely different animals. To Sen freedom involves both a process aspect and an opportunity aspect, while libertarians most often confine freedom to the first aspect and do not care if disadvantaged people suffer from systematic deprivation of substantive opportunities or nor. To Sen economic unfreedom, e. g., "can make a person a helpless prey in the violation of other kinds of freedom." The opportunity and the process aspects do not always go together, and then

19 Development as Freedom, op. cit. s 8.
much of our valuation depends on which aspect we consider most important.

When it comes to what variables should be included in the grounds for judging, he means that goods only have an instrumental value and not an inherent one. The judgement of welfare therefore has to transcend traditional measures, which only consider possession of goods and real incomes. Sen already suggested in *Commodities and Capabilities* (1985) that welfare should be measured in terms of the concept of capability. To Sen positive freedom is a kind of capability to function that has a direct value of its own, while those resources that can increase this capability only become instrumental in so far as they help to achieve what we really value – namely our capability to function. Contrary to Rawls, Sen holds the view that the possession of primary goods (rights, income, right of self-determination, etc) are not good indicators of well-being and freedom. Sick and handicapped people may, for example, have bigger problems in functioning than healthy people. Systematic differences that have to do with age and propensity to get sick, imply that possession of primary goods becomes an inaccurate indicator of well-being. Measures of living-standards and welfare-indexes should foremost take into account people’s possibilities of acting and developing their capabilities.

In Sen’s approach freedom has a value of its own that it often does not have in standard economic theory. According to the latter, e. g., the withdrawal of non-optimal alternatives does not mean a loss, while Sen emphasises that the freedom to be

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able to choose has a value in itself, and that restricting the set of choices therefore is negative, and should not be neglected in the analysis. Freedom also encompasses the possibility that stands open to the individual, and not that which the individual happens to choose. Capabilities contribute directly to making a person’s life richer by extending the opportunities of choice or giving him more “effective freedom”.

A pervading trait of Sen’s thoughts is that he maintains that traditional welfare theory has gone too far in its frugality in the realm of the information you can include into the theory. The self-imposed lack of information is the main reason for the theory’s incapacity to tackle the big and important problems regarding welfare-judgements on both an individual and social level.

Sen shows that the informational base for the libertarian class of rules for deciding on ethical matters is extremely limited. It is obviously inadequate for making informed judgements about problems of well-being and justice. We cannot really make value-judgements with so little information.

Much of Sen’s later work has been centered on exactly how one can consistently and with distinction provide the theory with more information and make it more relevant for solving real-world problems. In regard to libertarianism Sen writes: “The uncompromising priority of libertarian rights can be particularly problematic since the actual consequences of the operation of these entitlements can, quite possibly, include rather terrible results. It can, in particular, lead to the violation of the substantive freedom of individuals to achieve those things to
which they have reason to attach great importance … The destitutes such as the unemployed or the impoverished may starve precisely because their ‘entitlements’ – legitimate as they are – do not give them enough food … In terms of its informational basis, libertarianism as an approach is just too limited. Not only does it ignore those variables to which utilitarian and welfarist theories attach great importance, but it also neglects the most basic freedoms that we have reason to treasure and demand.”

There is no royal road to evaluations of justice and welfare, and much of the debate on existing alternatives of evaluation is really about what priorities should be made and on what should be at the core of such normative issues. Sen has shown that the priorities that are made could be brought out and analysed through analysing the information that the different approaches and their evaluative judgements are based on. His own capability approach resists the libertarian temptation to treat the freedom-based perspective as an all-or-non form. In fact, he says, in many “practical problems, the possibility of using an explicit freedom-based approach may be relatively limited.”

Therefore a useful and constructive theory of justice and welfare has to consider both foundational and pragmatic issues. Libertarianism does not and has consequently a short reach. Sen’s capability approach does and has consequently an extensive reach. Instead of libertarianism’s utopia (dystopia) of

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22 Development as Freedom, op. cit. p. 86.
some absolute and abstract “freedom”, Sen offers a practically fruitful criterion for a theory of justice and welfare.

Human rights

Neo-liberals are often sceptical about talk of human rights since it is not possible, so it is said, to specify whose duty it is to guarantee the fulfilment of these rights. It is held to be impossible to be sure that these rights are realised since they are not matched by corresponding duties.

Sen is sceptical about this argumentation. In normative discussions "rights are often championed as entitlements or powers or immunities that it would be good for people to have. Human rights are seen as rights shared by all – irrespective of citizenship – the benefits of which everyone should have."23 The claims of human rights are addressed generally, and no particular person may be charged to bring about the fulfilment of them. Even though some rights may end up being unfulfilled, it is surely possible for us to distinguish between a right that a person has which has not been fulfilled and a right that the person does not have.

Conclusion

Libertarians often contrast the importance of equality with that of liberty. But to Sen it can never be a question of liberty or equality. To pose the question in terms of this contrast is

23 Development as Freedom, op. cit. s 230.
according to him a "category mistake". Liberty is among "the possible fields of application of equality, and equality is among the possible patterns of distribution of liberty." 24

There is a large diversity of spaces in which equality may be demanded. Therefore one has to ask "equality of what?" and then focus on some space that one considers particularly important. Only after fixing the "focal variable", can we get a specific definition of equality. Of course this plurality of spaces is not unique to equality, applying as it does to concepts such as freedom, rights, efficiency and so forth.

To show that freedom of choice means something Sen distinguishes between the "selection view" and the "options view". In contrast to traditional welfare economics, Sen suggests that if we are interested in the freedom of choice "we have to look at the choices that the person does in fact have" and not just focus on the particular choice made. 25

Sen, with his capability approach, explicitly acknowledges human diversity in a way that is impossible within the libertarian approach. Although he is fully aware of the incentive problem – and that therefore the demands of equality have to be supplemented by efficiency considerations – he argues that the recognition of deep human diversity "may have the effect of restraining the force of the incentive problem." 26

Sen's concept of capabilities is close to Berlin's defence of positive freedom and has strong implications for our view of people's autonomy. We value rights like freedom in Berlin's

24 Inequality Reexamined, op. cit. p. 22-23.
25 Inequality Reexamined, op. cit. p. 38.
26 Inequality Reexamined, op. cit. p. 142.
positive sense since they reflect our interest in autonomy. To neo-liberals it is freedom in the negative sense that is basic. To Sen there is a fundamental difference between *formal* and *substantive* freedoms that hinges on the issue of how one converts resources into freedom. This is an issue to which neo-liberals have not paid any attention, and for which Sen also rightly criticises them.