

# Amartya Sen: Utilitarianism, Ethics and Public Policy

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As the reader would agree, economics as a science, in teaching, research and policy, has a very poor record at ethics.

According to Ben Fine, Professor of Economics at the University of London, there are five inter-related reasons for this. First, the rigid distinction between positive-theoretical and normative-factual economics. Second, the very methodology of economics is unable to interrogate its own ethical foundations. Third, economics has neglected its own history as a discipline and in the process, its own changing ethical approaches and contents. Fourth, economics has isolated itself from other social sciences, so their contributions to ethical questions have been ignored, and fifth, mainstream economics has always been and is now intolerant with heterodox approaches.

In summary, with methodology, history of economic thought, interdisciplinarity and heterodoxy sidelined to marginal status, economics is lacking in the ethical meaning and implications of its standard concepts such as production, consumption, utility and *the market, let alone development itself*.

Until now, the issue of ethics and economics, especially in the context of public policy and development, has been dominated by Amartya Sen who has made fundamental contributions to at least four fields: social choice theory, welfare economics, economic measurement, and development economics. The pre-eminence that he has achieved in each of these different fields, is remarkable for any scholar.

This article briefly explores Sen's critiques to utilitarianism as source of capitalist ethics and some of his contributions that led Robert Solow, another Nobel laureate economist to call him the conscience of the profession.

From the classic Sen of the seventies to his Nobel acceptance in 1999, social choice theory, has remained at the heart of his thinking. During this period, his work has raised and resolved two central issues. First, alternative interpersonal comparisons in terms of how much should one person's welfare count against another's; and second, the intensity of one individual's preferences and how much weight should be given to one individual's welfare in moving from one alternative to another of different utility.

## Sen and Utilitarianism

Utilitarianism, the basic thought by which we all should desire that people get what they want to the maximum degree possible, raises more questions than answers. In terms of political economy, utilitarianism holds that the best state of affairs is that in which the sum total of utility, is a maximum. Although this basic concept has been source of permanent debate, Sen believes that it is reasonable to proceed towards an effective doctrine to guide public policy by criticizing and transforming utilitarianism.

In its simplest form, utilitarianism holds that what people want and how much they want it is given by how much they are willing to pay for it on the existing market. Consumption, that is access to goods or services, yields happiness or utility as an additive scalar quantity; therefore, the total purchases in the national market place yields a measure of how happy the population is, and consequently, in terms of public policy the aim of the government should be the maximization of the Gross Domestic Product GDP.

This conclusion is so simplistic that it barely needs criticism. As we all know, all non-market activity is outside the equation, anything contributing to happiness which is not bought on the market, is excluded from the calculation; distribution is ignored, irrationality of choice is excluded; nature is externalized; people are assumed to act rationally, in order to maximize their self-interest in the production and exchange of commodities; thus, people caring for others, doing public or community service, pursuing social, religious or aesthetic activities for their own sake, making gifts,

extending solidarity to others, are acting irrationally. All these criticisms of utilitarianism were well-known a long time ago and even Karl Marx ridiculed them in the 1860s.

One of the improvements of utilitarianism is called Choice Utilitarianism which gets rid of the principle of summing utility by basing the mathematics on either/or choices by economic agents, rather than being concerned with adding up values. This game-theoretic mathematics allows policy to direct towards the Pareto Optimum. The Pareto Optimum is a state of affairs in which there exists no potential exchange between two agents which could be mutually beneficial and it may be achieved in a perfectly competitive market environment. In other words, perfect laissez faire economics produces the situation in which everyone has the best they can get, and therefore, any form of regulation becomes a barrier to the free exchange between agents finding the Pareto Optimum.

Amartya Sen makes a number of specific criticisms on utilitarianism. The most significant of these is the criticism of utility as a measure of well-being. He points out that functioning is a more rational measure of well-being than opulence -command over a mass of commodities, or utility -the value of desired objects.

People can use things they command, whether purchased or enjoyed by nature, in order to achieve a level of functionality in life, but the level of functionality achieved depends on many factors other than just things used. Functionality, however, is a perfectly objective measurement: life expectancy, freedom from illness, level of education, freedom, etc.

Sudhir Anand, professor of economics at Oxford says "Amartya Sen has made major contributions not only in measuring poverty but understanding it. To him, poverty is the lack of capability to function, so reducing it is related to positive freedom. What is important to people is to be able to do and be".

Apparently, utilitarianism is the ethics of free-market economics; and therefore, there is value in observing it and in trying to generate an alternative measure of the goodness of a state of affairs. Such a measure may also be used to legitimize public policy which is not aimed at simply maximizing the accumulation of capital.

Furthermore, utilitarianism in its original form was a sort of appeal to governments to let the market do its work without interference, to justify self-seeking by proving that the greatest good for the greatest number is achieved by individualistic self-seeking. As a guide to public policy therefore it was simply an advice to do as little as possible, within the limits imposed by avoiding lawlessness, social instability and war.

Sen asks a deeper question raised by the critique of utilitarianism as public policy framework, as to what, if any, justification is there for assuming that in a community there is any agent having the legitimacy to choose one state of affairs over another and determine public policy accordingly; or, more specifically, where such legitimacy may lie.

Sen's book, *Collective Choice and Social Welfare*, attempted to rescue welfare economics from free-marketers, who argued that there was no point in government intervention, and that individuals should be left to choose whatever the market made available in response to their choices, and concluded that authoritarian choices had to be made by governments on other peoples' behalf. Sen argued that perfection in social decision-making is unnecessary. Partial comparisons between people can help and majority decisions do carry weight, as long as the interests of the less assertive citizens are included. In developing his theory, Sen has been exceptionally brilliant in moving from micro/individual to macro/social and from general/formal to specificity/context by solving the tensions between micro and macro, or the individual and the social.

The key issue now is how his contributions will be taken forward.