DEVELOPMENT THINKING AT THE BEGINNING
OF THE 21st Century

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Abstract

There has been a shift, in recent years, in the understanding of the process of development. It is not a switch (as often portrayed) from a state-dependent view of development to a market-reliant view. Rather, it involves rejecting a "blood, sweat and tears" view of development in favour of celebrating people's agency and cooperation and the expansion of human freedom and capabilities. The market as an institution fits into this bigger picture. So do human rights and democratic values, especially as the vehicle of political incentives (complementing economic incentives). It involves, ultimately, a fuller view of human beings.

Keywords: Economic development, capabilities, hard states, political incentives, role of public discussion, valuational weights.

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DEVELOPMENT THINKING AT THE BEGINNING OF THE 21ST CENTURY

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Ideas do not move in units of centuries. Within the twentieth century itself, we have seen some radical shifts in development thinking. Nor need the centuries be defined in the way calendars bunch the years together - from 00 to 99. When Henry Wallace, in his famous address on the 8th of May 1942, declared, "The century on which we are entering can be and must be the century of the common man," he was talking neither about the 20th century, nor about the 21st. The much-heralded fact that these are the ending years of the 20th century need not, in itself, make this, in any way, a great time for reassessment; this applies as much to the proposed re-examination of our development thinking.

And yet, this does happen to be a reasonably good time to attempt a scrutiny, and the topic that has been assigned to me makes plausible sense. Much has happened in development experience as well as in development theory over the years since the new subject of "development" was born at the end of the world war. Some of the new events have given us reason to question, qualify or revise our earlier understandings of the nature of economic and social development. The insights that have emerged call for fresh reflection. It is indeed as good a moment as any to ask where development thinking might be heading.

1. Experiences and Lessons

There have been many remarkable - and spectacularly diverse - "development experiences" in the post-war world:
rapid reconstruction of war-destroyed Germany and Japan and their emergence as new economic leaders;

unprecedented economic growth in Europe and north America followed by deceleration and persistently high unemployment (especially in Europe);

birth of the welfare state, starting from Europe, with major impact on quality of life, but with significant financial burden on the state;

advent of east Asia as a region of astonishing economic growth with remarkable social development and comparative equity;

experience of fast economic expansion in parts of Latin America, without commensurate elimination of deprivation;

economic crises in the Soviet Union and east Europe and further decline immediately following their economic reform;

rapid transformation of the economy of China using trade and markets but without wholesale reform;

elimination of food dependency in many countries in the third world, including south Asia;

accentuation of famines in sub-Saharan Africa but elimination of famines in other countries, including India and (since 1962) China;

astonishing increase in the volume of international trade and of capital movement across the world;

steady expansion of longevity in much of the world, and its very speedy increase in some regions with fast economic growth (such as South Korea, Taiwan, Hong Kong) and in others without much economic growth (such as Costa Rica, Sri Lanka, pre-reform China, the Indian state of Kerala);

and so on.

I shall not be able to comment on each of these - and other - important happenings, but certainly there is no lack of variety of experiences from which we can learn. Development theory has also moved along - some times on its own impetus and at other times in direct response to empirical observations. We certainly can claim to understand parts of the process of development much better now than we could half a century ago.

But along with better understanding, we also get some
slanted and over-simple generalizations. There are much-repeated putative "lessons" that seem to be powered more by the use of selective information (and sometimes just by the force of enunciation), than by critical scrutiny.

A good example is the rather common generalization that the development experiences show the folly of state activism and the unconditional merits of the pure market economy, and all that is needed for development is to move "from planning to market." There is certainly plenty of evidences from the experiences of many countries which show that markets can be remarkably vigorous, that exchange within and between nations may be full of rewards, and that a predilection to shut out the markets tends to produce disasters rather than equity (in the name of which such shutting out is often carried out). But to comprehend what the market can do so well need not involve ignoring what the state can - and does - achieve, nor entail seeing the market mechanism as a free-standing success irrespective of state policy.

Indeed, many countries in West Europe have successfully guaranteed broad social security - including public education and health care - in ways that were previously unknown in the world; Japan and east Asia have had much government leadership in transforming their economies as well as society; the roles of public education and health care have been pivotal in bringing about social and economic change across the world (and quite

1 Illuminating analyses of these issues can be found in Bauer (1972, 1991).

spectacularly in east and south-east Asia); and pragmatic policy-making has drawn both on the market and on the state - and indeed also on non-state, non-market institutions such as community organizations.³

While governments can err by being over-active and too interventionist (examples of this are easy to find), they can also make the mistake of being under-active and too idle (evidences of costly inactivity are also plentiful). Indeed, some times examples of each can be found in the very same country. For instance, Indian economic planning, which I have had the occasion to scrutinize recently (along with Jean Drèze, in Drèze and Sen 1995), provides a good illustration of each failing:

(1) horrendous over-activity in controlling industries, restraining gains from trade, and blighting competitiveness, and

(2) soporific under-activity in expanding school education, public health care, social security, gender equity, and land reform.

India's ability to crash simultaneously on the Scylla as well as the Charybdis would have left Odysseus dumb-founded.

There is much to be learned from seeing what has happened around the world, and what - though firmly expected - has not occurred. While there is an excellent case for looking critically at possible generalizations we can make, it is not particularly helpful to try to see the lessons in terms of a

³ Albert Hirschman (1958) has persistently emphasized the breadth of the process of development and the very different influences that operate on it.
"confrontation" between the market and the state.

2. Blood, Sweat and Tears?

In this paper, I shall argue for a different type of contrast, turning not on the-state-versus-the-market, or planning-versus-profits, or anything as "classical" as that, but - roughly speaking - on how "hard-nosed" a view we take of development. There are, on the one hand, approaches that see development as a "fierce" process, with a moral that invokes "blood, sweat and tears" (to use Winston Churchill's rousing phrase). Since we live in an age of acronyms, I shall call this, taking a little liberty, the BLAST view of development. I shall presently try to illustrate some of the interestingly distinct forms - very different from each other - that the BLAST view can take.

This characterization is to be contrasted with views that see development as essentially a "friendly" process, with a focus on helping each other and oneself, and with being able "to get by with a little help from my friends" (to borrow from the Beatles). The "little help" can come from interdependences in the market (Adam Smith's example of mutual gains in trades with the butcher, the brewer and the baker will fit in here), but also from public services that make people more capable of helping themselves and others (well illustrated by Adam Smith's pointer to the advantages of public action in many fields: "For a very small expence the publick can facilitate, can encourage, and can even impose upon almost the whole body of the people, the necessity of acquiring those most essential parts of
education"). By taking the liberty of calling this view that of "getting-by with a little assistance," I shall choose the acronym of GALA for it, to be contrasted with BLAST.

Before proceeding further, let me briefly present a few qualifications and warnings. First, BLAST and GALA can each take quite diverse forms - invoking rather divergent economic theories. More on this presently. Second, the two-fold categorization is not, in the strict sense, a "partitioning"; some development approaches may fit in neither group, and some can have particular features of each. It is rather a distinction between two major attitudes to development, each of which can occur in a pure or in a mixed form, and this basic contrast can be helpful without being reflected stark isolation. Third, it need not be a secret that I am more impressed with GALA than with BLAST, and indeed I shall argue that some of the more important development experiences can be better interpreted and explained in terms of GALA, rather than BLAST. But it is not my purpose to claim that there is no merit at all in BLAST. To some extent it is a question of balance. As I shall discuss in the next section, variants of the BLAST view, in different forms, have provided the underpinning of many of the traditional interpretations of the nature and requirements of development.

The first example can be found in Smith (1776), I.ii (p. 27), and the second in V.1.5 (p. 785). Many readers of Smith seem to have an aversion (judging from their near-complete reliance on the butcher-brewer-baker example and market-based benefits) to venturing much beyond page 27 of the Wealth of Nations. In fact, Adam Smith's emphasis on the role of public cooperation and assistance can be seen plenteously not only in The Wealth of Nations (Smith 1776), but also in Lectures on Jurisprudence and The Theory of Moral Sentiments (Smith 1762-3, 1790).
If this paper is somewhat "combative" against it, this is partly because, I believe, the wisdom of BLAST have been heavily oversold. This does not require me to deny that there are cases in which BLAST may provide some useful insight.

3. Hard Build-up and the Role of Accumulation

The rhetoric of BLAST is one of "needed sacrifice," for a better future. To achieve successful development, various contemporary ills may have to be tolerated. This general view can take various distinct forms, focusing on different types of sacrifices, related to low welfare, high inequality, intrusive authoritarianism, and so on. Blood, sweat and tears can been demanded in different ways, in line with the particular theory that invokes the general attitude of BLAST. Examples of each variety of "needed sacrifice" can be found plentifully in the literature, and while these particular theories differ in their institutional preferences and in their politics, they share a generally "hard" view of development, and a common suspicion that "soft-hearted sympathy" could derail the long-run process of development.

One version of BLAST, focusing on the overwhelming need for high accumulation, was to a great extent inspired by the apparent success of the Soviet Union in achieving fast economic development through capital formation. Aside from the historical inspiration, such "accumulation blast" (as we may call it, just as a shorthand) drew much on "growth model" reasoning - emphasizing the need for keeping living standards down in the near future for rapid accumulation of capital and consequent economic growth, thereby "solving" the development problem.
The centrality of capital accumulation had, in fact, been an enduring characteristic of post-war development economics (going back at least to Nurkse 1953, Lewis 1955, and Baran 1957). There was a comfortable "marriage" here with the literature on "optimum accumulation" (initiated by Ramsey 1928, but revived in the 1950s by Tinbergen 1956 and others). "Optimal growth paths" often suggested the need for a severe holding down of welfare in the short run for obtaining much greater rewards in the future. While in many versions of this approach, capital accumulation was interpreted mainly in terms of the formation of physical capital, thereby distracting attention from the importance of human resources (skill, education, etc.), the prominent role given to capital accumulation was not in itself misplaced, particularly when more note is taken of what soon came to be called "human capital." Empirical studies of successful development experiences have given us no reason to reject the crucial

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5 The dilemmas of such "intertemporal balancing" were very well discussed by Sukhamoy Chakravarty (1969). In my Ph.D. thesis (Sen 1960), I had tried to link the problem of intertemporal choice with the choice of techniques, because of the indirect impact of the latter on the rate of capital accumulation. While the compromise formulae of balancing present and future gains, which I argued for, put more weight on present welfare than happens in the "growth-maximization" strategy (suggested by Galenson and Leibenstein 1955 and Dobb 1960, among others), my analysis still ended up (given the formulations) with a diagnosis of frequent "sub-optimality" of savings and its influence on the shadow prices of capital and labour. These shadow prices and their implications for resource allocation were extensively investigated in Sen (1961, 1967), Marglin (1963a, 1963b, 1976), Little and Mirrlees (1969), Dasgupta, Marglin and Sen (1972), among other contributions.

6 T.W. Schultz (1962, 1963, 1971, 1980) has been one of the pioneers in shifting attention towards the role of human resources. Robert Solow's (1956) pioneering analysis of economic growth did a lot to undermine the overwhelming interest in capital accumulation (compared particularly with technical change).
important, for economic development, of capital accumulation in the broadest sense.

Nevertheless, accumulation blast, as an approach, suffers from various handicaps. They relate mostly to the comparative neglect the well-being and quality of life in the present (and in the near future). One issue concerns the placing of appropriate valuation on the terrible deprivations that exist right now (even when balanced against very large gains to the more prosperous future generations). The issues can be, in one type of presentation, put under the broad hat of "concavity" of the aggregative social objectives - corresponding to the extent of "equality preference" in the sense specified by Atkinson (1970). But they also call for closer scrutiny of the nature and reach of our social responsibilities to different generations (and to different groups within each generation), and we have to pay special attention to the priority of preventing deprivations that are known to be both definitely disastrous and definitely preventable.7

Second, the importance of human resources (and the role of "human capital") changes the nature of the problem of "intertemporal balancing" of welfare. When the modelling is based on the partitioning of national output into "consumption" and "investment," with welfare function defined on consumption and the achievement of growth related to investment (as in Ramsey 1928 or Tinbergen 1955), the conflict between present welfare and

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7 Public discussions on the claims of rationality in social choice may be particularly aimed in this direction, as exemplified by the priority given to famine prevention in working democracies (on this see Sen 1984, 1995).
future welfare takes the classical form that has been so well investigated. But the problem requires reformulation when economic productivity depends on education, health care, nutrition, etc. They do, of course, immediately influence present welfare as well. As a result, the problem of "intertemporal balancing" has to depart from the dichotomous formulation of the "hard choices" on which the optimal growth literature had so clearly focused.

Third, some of the effects of social consumption, including education and medical attention, go beyond both economic productivity and immediate welfare. For example, female education and valued employment can make a big difference in reducing gender inequalities which constitute a central feature of underdevelopment in many parts of the world. Also, school education (especially of women) and basic health care can significantly influence fertility as well as mortality rates. They can be important, in the process of development, for this reason as well, and they can have substantial impact on the time profiles of welfare and freedoms that people enjoy.

In this context, a GALA view of development provides a more natural way of seeing the interdependence between the enhancement

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7 I have tried to discuss these issues in Sen (1984, 1985, 1990, 1992). See also Bardhan (1984a), Drèze and Sen (1989) and Harriss (1990), among other contributions.

of human welfare and of the expansion productive capacity and developmental potential. The need for intertemporal balancing is not, of course, removed, nor the powerful role of capital accumulation, but the interdependence between quality of life and productive ability takes away some of the starkness of the dichotomy between living well and accumulating fast.

4. **Hard Business and the Fear of "Bleeding Hearts"**

The celebration of "blood, sweat and tears" in the process of development was not, of course, linked to the priority of separated accumulation. Nor was it always inspired by the toughness of Soviet industrialization. In fact, one "lesson" in hardness was derived directly from the ultimate success of classical capitalist expansion, after a long and arduous slog.

Through the tough days of what William Blake had called "these dark Satanic mills," and the brutal history of inequity forcefully reflected in Friedrich Engels' "the condition of the working classes," modern capitalism - now equipped even with a "welfare state" - has firmly emerged.\(^{11}\) Those who see in this a model to follow have continued to argue for giving priority to business interests so that the productive power of the nation can be radically expanded, and they warn against the spoiling of long-run benefits by the premature operation of sympathy; they are terrified of the harm that may result from the influence of "bleeding hearts."

Paying much attention to distributional concerns and to

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\(^{11}\) Though the United States seems under some political pressure right now to abandon this, and a step in that direction has recently been taken.
equity would seem, in this perspective, to be a mistake at early stages of development. The benefits will come to all in due course, through "trickle down," and deliberate attempts to hasten the sharing would only mess up the formation of the forceful stream from which the trickles would have to find their way down. Though this view is rarely stated formally, or even in very clear terms, its presence is not hard to detect in many pronouncements of economic development. The champions of this view are not confined only to admirers of capitalism. Something of a general "lesson" for what is necessary for "the process of development" has been seen by many in the history of capitalism process. For example, Joan Robinson's remonstrance of Sri Lanka's attempt at welfare-related intervention at an early state of development (it is "trying to taste the fruit of the tree before growing it") did not come from any admiration for the "hard way," but rather from the sad acceptance of its necessity.

Sri Lanka has not really done very well in terms of economic growth; nor has the Indian state of Kerala, which too has gone early for widespread health care, education, social security and egalitarian land reform. But there are other countries (such as South Korea or Taiwan), which have combined these helpful social moves with more freedom to use economic opportunities of trade and business, and they have been richly rewarded by rapid economic growth combined with more social equity and even relatively less unequal distributions of income. The fact that social development may not work on its own to generate economic growth is fully consistent with the possibility, for which there is now a great deal of evidence, that it does strongly facilitate
fast and participatory economic growth, when combined with market-friendly policies that encourage economic expansion.\textsuperscript{12} The role of economic equity has also received attention in this context, in terms of the adverse effects both of income inequality and of unequal land distribution.\textsuperscript{13}

5. Hard States and the Denial of Political Rights

The call for a different type of "hardness" is reflected in the view that development is helped by the suppression of human rights, and "sacrifices" are "necessary" in matters of democracy and of civil and political rights at early stages of development. There is a much-repeated general belief that empirical studies of international comparisons "show" that political and civil rights hamper economic growth. Ex-Prime Minister Lee Kuan Yew of Singapore has articulated something of a "general theory" of the existence of such a conflict. The thesis itself is not new. Even the criticism of "the soft state" in Gunnar Myrdal's Asian Drama (Myrdal 1964) had some ambiguities which did encourage such an interpretation.\textsuperscript{14}


\textsuperscript{14} In fact, Myrdal was not really asking for suppression of human rights - rather for robust public policies that would not be derailed by the machinations of vested interests that could
Is there really a conflict between civil and political rights on the one hand and economic development on the other? While it is true that some relatively authoritarian states (such as South Korea, Lee’s own Singapore, and post-reform China) have had faster rates of economic growth than many less authoritarian ones (including India, Costa Rica, or Jamaica), the "Lee hypothesis" is based on very selective and limited information (rather than on any general statistical testing over the wide-ranging data that are available). The high economic growth of China or South Korea in Asia cannot be taken as proof that authoritarianism does better in promoting economic growth - any more than the opposite conclusion can be drawn on the basis of the fact that the fastest growing African country (and one of the fastest in the world), viz. Botswana, has been a veritable oasis of democracy in that unhappy continent.

Systematic statistical studies give no real support to the claim that there is a general conflict between political rights and economic performance.\textsuperscript{15} That relationship seems to depend on many other circumstances, and while some note a weakly negative relation, others find a strongly positive one. On balance, the hypothesis that there is not much relation between them in either direction is hard to reject. Since these rights have importance of their own, the case for them stands, even without having to bend public policies. Pranab Bardhan (1984b) has analyzed the barriers to economic development that arise from the influence of a multiplicity of powerful pressure groups, in the particular case of India.

show that democracy actually encourages economic growth. Certainly, the case for a hard state, intolerant of civil and political rights do not emerge from the international statistics of growth experience.

In fact, we must look not merely at statistical connections, but examine and scrutinize the causal processes that are involved in economic growth and development. The policies and circumstances that led to the economic success of east Asian economies included openness to competition, the use of international markets, a high level of literacy and school education, successful land reforms, and the provision of incentives for investment, exporting and industrialization. There is nothing whatsoever to indicate that any of these social policies is inconsistent with greater democracy, or could be sustained only through the authoritarianism that happened to be present in South Korea or Singapore or China. The temptation of taking the "post hoc" to be also "propter hoc" does not help causal scrutiny.

In this context, we must also look at the connection between political and civil rights, on the one hand, and the prevention of major social disasters and misfortunes, on the other. The incentive effects of political and civil rights would tend to link responsible governance with the exercise of these rights.¹⁶

¹⁶ The basic issue is not only the existence of political and civil rights in the official legal system, but their active use. Much depends, therefore, on the determination and dedication of opposition groups. In fact, even in deeply authoritarian states, sometimes the opposition groups have been able to make their presence felt through courageous political action, often at great personal sacrifice. It can be argued that persistent and intrepid opposition even in South Korea and Chile did succeed in making the ruling governments more conscious of
And there is some real evidence in that direction.

A remarkable fact in the ghastly history of famines in the world is that no substantial famine has ever occurred in any country with a democratic form of government and a relatively free press. Major famines have occurred in colonial territories run by imperial rulers from abroad (for example, in pre-independent India, or Ireland), in modern military dictatorships controlled by authoritarian potentates (such as Ethiopia or Sudan), or in rigid one-party states intolerant of opposition (such as the Soviet Union in the 1930s, or China at the time of the Great Leap Forward, in each of which tens of millions of people died — in China probably between 23 and 30 million were killed by the famine during 1958-61). But no substantial famine has ever occurred in a country that is independent, that has systematic multi-party elections, that has opposition parties to voice criticisms, and that permits newspapers to report freely and question the wisdom of government policies without extensive censorship. This generalization applies not only to the affluent countries of Europe and America, but also to countries that

popular concerns, thereby influencing social policies (if only to try to undermine the dissenters). On this general issue, see Drèze and Sen (1989). The need to take note of the actions of opposition groups as well as of the government in office can be quite critical in the political economy of development.

17 Ashton et al’s (1984) estimate is about 30 million extra deaths, whereas Peng (1987) comes to a figure closer to 23 million. See also Riskin (1990). A remarkable fact about the Chinese famine is that the disastrous economic policies that had led to it were not revised through three years of intense suffering and mortality during which the government lost none of its power and control — a situation that would be impossible in a multi-party democracy; on this see Sen (1984), Essay 19.
happen to be very poor, such as India, Botswana, or Zimbabwe. 18

It is very hard for any government to go to the polls after
a major social calamity, nor can it easily survive criticism from
the media and opposition parties, in a functioning democracy.
It is precisely because the rulers in many countries can, given
authoritarianism and censorship, "afford" to have famines,
without being challenged, that famines continue to survive in the
modern world. 19 Even though the rulers never have to starve
themselves, democracy spreads the penalty of famines to the
ruling groups and political leaders as well. 20

18 On this issue, see Sen (1984), Drèze and Sen (1989), Ram
(1990), D'Souza et al. (1992), Human Rights Watch (1992), Red
Cross and Red Crescent Societies (1994).

19 This analysis is, of course, based on the presumption
that if a government of even a poor country really makes an
effort to prevent a famine, it can do so. That this is the case
relates to the understanding of the nature and causes of famines
and the means needed to prevent them, on which see Sen (1981) and
(1990), Riskin (1990), Svedberg (1990, 1996), Drèze, Sen and

20 Very closely related to the issue of political
incentives is that of the information that decision takers can
have and use. A free press and the practice of democracy
contribute greatly to bringing out relevant information (e.g.,
information about the early effects of droughts and floods and
about the nature and impact of unemployment). The news media is,
in fact, the most elementary source of basic information about
a threatening famine, especially when there are incentives (as is
indeed provided by a democratic system) for bringing out facts
that may be embarrassing to the government (facts that an
authoritarian government would tend to censor out). Indeed, just
as the Chinese famines following the failed Great Leap Forward
were coming to a peak, the Chinese central government mistakenly
believed that they had 100 million metric tons of more grain than
they actually had. They were, in fact, relying on rosy reports
from different localities competing for credit in Beijing in
having been successful in greatly leaping forward. Even Chairman
Mao himself identified the informational role of democracy, after
the failure was belatedly acknowledged (on this see Sen 1984,
Essay 19). In 1962, just after the famine had killed so many

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The *incentive* effect of civil and political rights can be very important indeed in the prevention of major disasters. While there has been a good deal of discussion recently about *economic* incentives -- connected with the failure of over-ambitious state planning and over-bureaucratized public enterprises -- and the need for market incentives and other economic inducements have been extensively talked about and forcefully championed, the importance of political rather than economic incentives has not quite received the attention they deserve. When things go smoothly along, the incentive role of democracy may not be much missed. But as and when things do go wrong, the corrective function of democracy can make a world of difference.

Thus, not only do we have reasons to question "the Lee hypothesis" of a generally negative relation between economic growth and political and civil rights, but also there are serious grounds for seeing these rights as being positively favourable to the process of development including the protection against disasters and momentous policy mistakes. Once again, the alternative perspective of GALA provides a broader format for understanding the process of development, in contrast with the celebration of "hard states" as a putative harbinger of solid economic progress.

millions, Mao addressed a gathering of 7,000 cadres thus:

Without democracy, you have no understanding of what is happening down below; the situation will be unclear; you will be unable to collect sufficient opinions from all sides; there can be no communication between top and bottom; top-level organs of leadership will depend on one-sided and incorrect material to decide issues, .... (Mao 1976, pp. 277-8).
6. **Capability Expansion: Human Capital and More**

There has been a significant transformation in recent years in the analysis of economic growth and development in giving greater recognition to the role of "human capital." This involves a partial return to an approach to economic development championed particularly by Adam Smith's (1776) *Wealth of Nations*. The development of human capability, and the role of division of labour and experience in supporting skill formation, were quite central to Smith's analysis of "the wealth of nations." This was a very different focus from what was emphasized in the early models of post-world-war growth theory, for example, in the so-called Harrod-Domar model, and even in early neoclassical analysis. More recent works, however, tend to give much fuller recognition to the far-reaching role of human skill, and this "new" development has had the effect of re-establishing an old

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21 Adam Smith's belief in the power of education and learning was peculiarly strong. Regarding the debate that continues today on the respective role of "nature" and "nurture," Smith was an unreconstituted "nurturist," and this fitted in with his confidence in the improbability of human capabilities:

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education. When they come into the world, and for the first six or eight years of their existence, they were, perhaps, very much alike, and neither their parents nor play-fellows could perceive any remarkable difference. (Smith 1776, I.i, pp. 28-9.)

22 However, one of the most influential findings of neoclassical growth theory was Robert Solow's (1956) identification of how much remained to be explained, within the interpretative structure of that theory, after taking full note of the accumulation of capital and labour.
but neglected tradition. There is, by now, fairly abundant
acknowledgement of the importance of human capital in economic
development. The experiences of the more successful economies
in East and South-east Asia are increasingly interpreted in this
light.

The emphasis on human capital, especially the development
of skill and productive ability spread across the population,
contributes to shifting the focus of analysis from a "hard" view
of development to a more "people-friendly" approach. We should,
however, ask whether the recognition of the role of "human
capital" is adequate for understanding the importance of human
beings in the process of development. If development is seen,
ultimately, as the expansion of the capability of people to do
the things they have reason to value and choose, the
glorification of human beings as "instruments" of economic
development cannot really be adequate.24

There is a crucial difference here between means and ends.25
The acknowledgement of the role of human qualities in promoting
and sustaining economic growth - momentous as it is - tells us
nothing about why economic growth is sought in the first place.

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23 While there is much basic similarity between the
"Smithian" approach and the recent growth theory, there was of
course a major need to work out the connections and to integrate
them in fully articulated models; on this see Romer (1987), Lucas
(1988), Helpman and Krugman (1990), and related contributions.
See also Jorgenson (1995).

24 This issue is discussed in Sen (1984, 1985).

25 On this see Adelman and Morris (1973), Grant (1978),
et al (1981), Osmani (1982), Stewart (1985), Behrman and
Deolalikar (1988), Drèze and Sen (1989), Anand and Kanbur (1990),
Dasgupta (1993), Lipton and van der Gaag (1993), among other
contributions.
If, instead, the focus is, ultimately, on the expansion of human freedom to live the kind of lives that people have reason to value, then the role of economic growth in expanding these opportunities have to be integrated into that more foundational understanding of the process of development.

The expansion of human capabilities, thus, have both "direct" and "indirect" importance in the achievement of development. The *indirect* role works through the contribution of capability expansion in enhancing productivity, raising economic growth, broadening development priorities, and bringing demographic changes more within reasoned control. The *direct* importance of human capability expansion lies in its intrinsic value and its constitutive role in human freedom, well-being and quality of life.26

The latter issue is not just a matter of the foundation of development thinking; it also has a significant practical bearing on public policy. While economic prosperity and demographic respite help people to lead freer and more fulfilling lives, so do more education, health care, medical attention, and other factors that causally influence the effective freedoms that people actually enjoy.27 These "social developments" must directly count as "developmental", since they help us to lead longer, freer, and more fruitful lives, in addition to the role

26 This connection is scrutinized in Sen (1985) and Nussbaum and Sen (1993).

27 There is some evidence that the effectiveness of economic growth in expanding such basic achievements as longevity depends on particular aspects of the economic expansion, such as the increase in income going to the poorest sections and expansion of public health services; on this see Drèze and Sen (1989) and Anand and Ravallion (1993).
they have in promoting productivity or economic growth.

The traditional use of the concept of "human capital" tends to concentrate only on the second role of capability expansion (particularly, income generation). This is important enough, but it needs supplementation by the first - "direct" - process. The broadening that is needed is additional and cumulative, rather than being an alternative to the "human capital" perspective. The process of development is not separable from the expansion of human capabilities for its intrinsic as well as instrumental importance.

7. Weights, Values and Public Participation

Some critics have expressed great reservations about broadening the view of development from the growth of GNP per head to the expansion of human capabilities and freedom. It has been pointed out that the evaluation different capabilities requires value judgments. T.N. Srinivasan (1994, p. 239) has also recently reminded us, quoting Robert Sugden (1993), that "the real-income framework includes an operational metric for weighting commodities - the metric of exchange value," and there is no corresponding "operational metric" in judging capabilities and different aspects of the quality of life." How much of an

28 In the World Development Report 1995 of the World Bank, there is plenty of emphasis on "the skills and capabilities of workers," which is an important part of what counts, but the discussion is almost entirely confined to their role in expanding commodity production and income earning.

27 Robert Sugden's own focus was more on questioning how the capabilities are to be valued, rather than on rejecting the approach (as Srinivasan recommends) on this ground: "it remains to be seen whether analogous metrics can be developed for the capability approach" (Sugden 1993, p. 1953).
argument is this for sticking to the commodity space and market valuation to make comparative judgments on personal advantages, rather than using information on different features of the quality of life?

While market prices certainly do exist for commodities, and do not for human functionings, the evaluative significance of the market prices has to be established. It is not obvious how, in making an evaluative judgement about progress, valuational decisions are to be avoided by simply "reading off" the market prices and the metric of exchange value. For one thing, the problems of externalities, missing markets, and other concerns will suggest that market prices be "adjusted," and we have to decide whether such adjustments should be made, and if so, how this should be done.30 In the process an evaluative exercise cannot really be escaped, even if it is our intention to make fulsome use of market valuation. Even the blindness of the market between the millionaire's dollar and that of the pauper calls for some response, so that the "metric of exchange value" can scarcely be an automatic basis of evaluative comparison.31

No less importantly, "the metric of exchange value", though operational in its own context, cannot give us interpersonal comparisons of individual advantage or welfare. A basic confounding has occurred in this subject because of misuse of the tradition - sensible within its context - of taking utility to be simply the numerical representation of a person's choice.

30 See, for example, Nordhaus and Tobin (1972).

This is, of course, a most useful way of defining utility for the analysis of consumption behaviour of each person taken separately, but it does not, on its own, offer any procedure whatever for substantive interpersonal comparison. Paul Samuelson’s (1947) elementary remark that "it was not necessary to make interpersonal comparisons of utility in describing exchange" (p. 205) is the other side of the very same coin: nothing about interpersonal comparison of utility is learnt from observing market prices or exchange behaviour, or "the metric of exchange value."

This is not just a matter of analytical purity. The tendency to use the metric of exchange value for interpersonal comparisons is not only unfounded in theory, its practical use can make us overlook vital information that we have no reason to overlook. For example, even if person A who is disabled or ill happened to have the same demand function as person B (who is not disadvantaged in these ways), it would be quite absurd to assume that A is having exactly the same utility or well-being from a given commodity bundle as B can get from it. Differences in age, gender, special talents, disability, proneness to illness, etc., can make two different persons have quite divergent substantive opportunities even when they have the very same commodity bundle. In going beyond simply "observing" market choices, which tell us little about interpersonal comparisons, we have to use additional information, rather than just sticking to the good old "metric of exchange value."

Indeed, given the inescapable need for valuation in making judgments about progress and development, there is a strong case
for making the values to be used as explicit as possible, so that they can be subjected to critical scrutiny and public discussion. The evaluation of quality of life and of diverse capabilities call for public discussion as a part of a democratic "social choice" procedure. In using any particular index (such as the Human Development Index HDI or the Gender-inequality-adjusted HDI proposed by UNDP, or any other such aggregative indicators), there is a great need for explicit formulation and articulation, making them open to public scrutiny, criticism and chastisement. Trying to do it in a concealed way (for example, by using market valuation, as if this is a pre-determined set of values that can be just "read off" for rapid evaluative use) is exactly the wrong move, especially for an approach to development that focuses on human freedom and reason.

It is important to bring the evaluative decisions within the scrutiny of people themselves. Indeed, even the agreed merit of greater economic prosperity as a central part of the process of development lies in the reasonable presumption that this is what the people involved would inter alia value. This focus on democratic social choice is a crucial part of moving away from the "blood, sweat and tears" view of development to one that celebrates people's cooperation and agency and the expansion of human freedom and capabilities. The rejection of the "hard state" that denies the importance of human rights (including the political rights to open public discussion) is, thus, complementary to the rejection of other forms of "hardness" that

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3 For different issues underlying this general recognition, see Knight (1947), Arrow (1951), Buchanan (1954), Sen (1970, 1995).
view development as a terribly "fierce" process.

This shift in the understanding of the process of development has many far-reaching implications. The arrival of the 21st century may be just incidental, but this pivotal change involves something more than the passing of years.
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