Chapter 1

THE CONCEPT OF DEVELOPMENT

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1. The background

"The French grow too fast", wrote Sir William Petty in 1676. Whether or not this was in fact the first recorded expression of what is clearly a traditional English obsession, it was certainly a part of one of the earliest discussions of development economics. Petty was concerned not merely with the growth of numbers and of incomes, but he also took a broad view of development problems, including concern with the exact content of the standard of living. Part of his statistical analysis was meant "to show" that "the King’s subjects are not in so bad a condition as discontented Men would make them". While Petty had estimated national income by using both the "income method" and the "expenditure method", he had also gone on to judge the conditions of people in a broad enough way to include "the Common Safety" and "each Man's particular Happiness".

Petty is regarded, with justice, as one of the founders of modern economics, and specifically a pioneer of quantitative economics. He was certainly also a founder of development economics. Indeed, in the early contributions to economics, development economics can hardly be separated out from the rest of economics, since so much of economics was, in fact, concerned with problems of economic development. This applies not only to Petty's writings, but also to those of the other pioneers of modern economics, including Gregory King, Francois Quesnay, Antoine Lavoisier, Joseph Louis Lagrange, and even Adam Smith. *An Inquiry into the Nature and Causes of the Wealth of Nations* was, in fact, also an inquiry into the basic issues of development economics.

The fact that in the early writings in economics there was this noticeable congruence of development economics and economics in general is a matter of some interest, especially in the context of investigating the nature of "the concept of development". Interest in development problems has, traditionally, provided one of the deepest motivations for the pursuit of economics in general, and this broad basis of development economics has to be borne in mind when investigat-

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1 *Political Arithmetic*, in which these passages occur, was written by Petty around 1676 but it was published posthumously in 1691. The text could be found in Hull (1899, vol. I). The passages referred to can be found on pages 241–242, 311.

2 It may be remembered that it was Petty, the anatomist and musicologist, turned economist, who had insisted at the Royal Society that in discussions in the society, "no word might be used but what marks either number, weight, or measure" [Hull (1899, vol. I, p. lxiv)]. Those who complain about the "recent craze" for mathematical economics might have to put up with the fact that the recent times began a long time ago.
ing the details of the concept of development. Having started off, rightly, with an ell, development economics can scarcely settle for an inch.

It is not hard to see why the concept of development is so essential to economics in general. Economic problems do, of course, involve logistic issues, and a lot of it is undoubtedly "engineering" of one kind or another. On the other hand, the success of all this has to be judged ultimately in terms of what it does to the lives of human beings. The enhancement of living conditions must clearly be an essential – if not the essential – object of the entire economic exercise and that enhancement is an integral part of the concept of development. Even though the logistic and engineering problems involved in enhancing living conditions in the poor, developing countries might well be very different from those in the rich, developed ones, there is much in common in the respective exercises on the two sides of the divide [on this see Bauer (1971)].

Sometimes development economists have been rather protective of their own domain, insisting on separating development economics from the rest of economics. While the underlying motivation behind this effort is easy to understand, it is important not to make too much of the divide, nor to confuse separateness with independence. Tools of standard economics may have much fruitful use in development economics as well, even when the exact problems addressed happen to be quite specialized. It is, however, arguable that for one reason or another, a good deal of standard economics has tended to move away from broad issues of poverty, misery and well-being, and from the fulfilment of basic needs and enhancing the quality of life. Development economists have felt it necessary to emphasize and justify their involvement with these – rather "old-fashioned" – problems, even though the relevance of these problems is by no means confined to development economics. There are also institutional differences that separate out the logistic issues in developing countries from those of developed ones, in the pursuit of economic development and the enhancement of living conditions.

Certainly, the systematic differences in institutional features is a matter of great moment in arriving at policies and deriving practical lessons regarding what is to be done. But the first issue – the emphasis on development objectives – is not a matter only for development economics as such, but of importance for economics in general [see Hirschman (1970)]. In this respect, too, insisting on a sharp division between development economics and other types of economics would be rather counter-productive. Development economics, it can be argued, has to be concerned not only with protecting its "own" territory, but also with keeping alive the foundational motivation of the subject of economics in general. The literature on the "concept of development" – whether explicitly put forward or discussed by implication – has to be examined in this broad perspective related to economics in general, rather than only in terms of "development economics" narrowly defined.
2. Production, growth, and development

The close link between economic development and economic growth is simultaneously a matter of importance as well as a source of considerable confusion. There can scarcely be any doubt that, given other things, an expansion of opulence must make a contribution to the living conditions of the people in question. It was, therefore, entirely natural that the early writings in development economics, when it emerged as a subject on its own after the Second World War, concentrated to a great extent on ways of achieving economic growth, and in particular increasing the gross national product (GNP) and total employment [see Rosenstein-Rodan (1943), Mandelbaum (1945), Dobb (1951), Datta (1952), Singer (1952), Nurkse (1953), Dasgupta (1954), Lewis (1955), Baran (1957), Hirschman (1958)]. The process of economic development cannot abstract from expanding the supply of food, clothing, housing, medical services, educational facilities, etc. and from transforming the productive structure of the economy, and these important and crucial changes are undoubtedly matters of economic growth.

The importance of “growth” must depend on the nature of the variable the expansion of which is considered and seen as “growth”. The crucial issue, therefore, is not the time-dimensional focus of growth, but the salience and reach of GNP and related variables on which usual measures of growth concentrate. The relation between GNP and living conditions is far from simple. To illustrate the problem, figures for GNP per head and life expectancy at birth in 1984 are given in Table 1.1 for five different countries, namely, China, Sri Lanka, Brazil, Mexico, and South Africa. South Africa, with about seven times the GNP per

<table>
<thead>
<tr>
<th>GNP per head, 1984 (U.S. Dollars)</th>
<th>GNP per head, 1984 (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>310</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>360</td>
</tr>
<tr>
<td>Brazil</td>
<td>1,720</td>
</tr>
<tr>
<td>Mexico</td>
<td>2,040</td>
</tr>
<tr>
<td>South Africa</td>
<td>2,340</td>
</tr>
</tbody>
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head of China and Sri Lanka, has a substantially lower expectation of life than the latter countries. Similarly, Brazil and Mexico also with many times the income of China and Sri Lanka have achieved considerably less in longevity than these two much poorer countries. To point to this contrast is not, of course, the same thing as drawing an immediate policy conclusion as to exactly what should be done, but the nature of the contrast has to be borne in mind in refusing to identify economic development with mere economic growth. Even though an expansion of GNP, given other things, should enhance the living conditions of people, and will typically expand the life expectancy figures of that country, there are many other variables that also influence the living conditions, and the concept of development cannot ignore the role of these other variables.

Life expectancy is, of course, a very limited measure of what has been called “the quality of life”. Indeed, in terms of what it directly measures, life expectancy is more an index of the “quantity” of life rather than of its quality. But the forces that lead to mortality, such as morbidity, ill health, hunger, etc. also tend to make the living conditions of the people more painful, precarious, and unfulfilling, so that life expectancy may, to some extent, serve as a proxy for other variables of importance as well. Furthermore, if we shift our attention from life expectancy to these other important variables, the relationship with GNP per head does not become any more immediate. Indeed, some of the variables related to living conditions, e.g. the prevalence of crime and violence, may sometimes have even a perverse relationship with average material prosperity.

This is a problem that applies not only to the poor, developing countries, but also to the richer ones. In fact, various studies of perception of welfare done in western Europe have suggested a rather limited role of real income in self-assessment of personal welfare [see van Praag (1978), Allardt (1981), van Herwaarden and Kapteyn (1981), Erikson, Hansen, Ringen and Uusitalo (1986)]. Reliance of self-assessment based on questionnaire information does, of course, have some problematic features also, but nevertheless there is enough evidence here to question the rather straightforward connection between material prosperity and welfare that is sometimes taken for granted in standard economic analysis.

In drawing a distinction between development and growth, a number of different sources of contrast have to be clearly distinguished from each other. First of all, insofar as economic growth is concerned only with GNP per head, it leaves out the question of the distribution of that GNP among the population. It is, of course, possible for a country to have an expansion of GNP per head, while its distribution becomes more unequal, possibly even the poorest groups going down absolutely in terms of their own real incomes. Noting this type of possibility does not question the relevance of income considerations as such, but argues against taking only an aggregated view of incomes. Undoubtedly, some of the cases in which achievements in living conditions fall far behind what might be expected on the basis of average per capita GNP (e.g. in South Africa, and to a
lesser extent in Brazil and Mexico, as reflected in Table 1.1) relate closely to the
distributional question. Indeed, the contrast can be brought out even more
sharply by looking also at the distribution of life expectancy (and of mortality
and morbidity rates) over the population (e.g. between the racial and class groups
in South Africa, and class and regional categories in Brazil and Mexico).

A second source of difference between growth and development relates to the
question of *externality* and *non-marketable*.* The GNP captures only those
means of well-being that happen to be transacted in the market, and this leaves
out benefits and costs that do not have a price-tag attached to them. Even when
non-marketed goods are included (e.g. peasant outputs consumed at home), the
evaluation is usually restricted to those goods which have a market and for which
market prices can be easily traced.4 The importance of what is left out has
become increasingly recognized, as awareness of the contribution of the environ-
ment and natural resources to our well-being has grown [see Dasgupta and Heal
(1979), Dasgupta (1982)]. The argument can be applied to the social environment
as well as to the physical one [see Hirschman (1958, 1970)].

Third, even when markets do exist, the valuation of commodities in the GNP
will reflect the *biases* that the markets may have. There are important problems
in dealing with different relative prices in different parts of the world. As has
been shown by Usher (1968, 1976) and others, this can make quite a substantial
quantitative difference. Even for a given economy, the relative importance that is
attached to one commodity compared with another may be distorted vis-à-vis
what might be achieved under perfectly competitive conditions if the market
operations happen to be institutionally “imperfect”, or if equilibrium outcomes
do not prevail. There is an extensive welfare-economic literature on this, and the
connection of that range of issues with the concept of development is obvious
enough.

Fourth, the real income enjoyed by a person in a given year reflects at best the
extent of well-being enjoyed by that person at that period of time. However, in
assessing what kind of a life the person has succeeded in living, we have to take a
more integral view of that person’s life. The issues to be considered include
interdependences over time [e.g. inter-period complementarities emphasized by
Hicks (1965) among others], as well as the more elementary question of the length
of that life. It is easy to construct two scenarios in which the time series of *per
capita* GNP as well as *aggregate* GNP (and, of course, the population size)
happen to be exactly the same in the two cases (period by period), but in one
society people live twice as long as those in the other. There are difficult
evaluative problems in judging what the “trade-off” should be between larger
number, on the one hand, and longer life, on the other, but no matter in which

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4 Even when such market prices exist, reflecting the balance of actual demand and supply, the
proper valuation of the non-traded units of tradeable variables may be far from easy. On the problem
of including the value of leisure and leisure time expended at home, in the light of wage rates, see
Nordhaus and Tobin (1972).
direction one argues, there is an issue here of great importance to the assessment
of development that is completely obscured by the GNP information. Even if
GNP did everything it is expected to do (and there are very strong reasons for
doubting this possibility), even then the information provided by GNP must
remain fundamentally inadequate for the concept of development.

Finally, it must be noted that GNP is, in fact, a measure of the amount of the
means of well-being that people have, and it does not tell us what the people
involved are succeeding in getting out of these means, given their ends. To take a
crude example, two persons with different metabolic rates and consuming the
same amount of food will quite possibly achieve rather different levels of
nourishment. Insofar as being well nourished is an important end, their actual
achievements will be different, despite the congruence of their command over the
means of achieving nourishment. As it happens, "poverty lines" have typically
been defined in developing countries in the light of the "requirements" of some
basic commodities, in particular food, and the inter-personal as well as the
intra-personal variability in the relationship between food and nourishment have
been, in this context, a major problem to deal with.\textsuperscript{5}

Ultimately, the assessment of development achieved cannot be a matter only of
quantification of the means of that achievement. The concept of development has
to take note of the actual achievements themselves. The assessment of develop-
ment has to go well beyond GNP information, \textit{even when} the other difficulties
referred to earlier (such as distributional variation, presence of externalities and
non-marketabilities, imperfect price mechanisms, etc.) were somehow overcome.

3. Characteristics, functionings, and living

Insofar as development is concerned with the achievement of a better life, the
focus of development analysis has to include the nature of the life that people
succeed in living. This incorporates, of course, the length of the life itself, and
thus life expectancy data have an immediate relevance to the living standard and
given that to the concept of development. But the nature of the life that people
succeed in living in each period is also a matter of importance. People value their
ability to do certain things and to achieve certain types of beings (such as being
well nourished, being free from avoidable morbidity, being able to move about as
desired, and so on). These "doings" and "beings" may be generically called
"functionings" of a person.

The well-being of a person can be seen as an evaluation of the functionings
achieved by that person. This approach has been implicitly used by Adam Smith
(1776) and Karl Marx (1844) in particular, and more recently in the literature on

\textsuperscript{5}For arguments on different sides of this debate, see Bardhan (1974), Sukhatme (1977), Srinivasan
"the quality of life" [see, for example, Morris (1979), Streeten (1981)]. It can be more explicitly developed, conceptually defended, and empirically applied [on this see Sen (1980, 1985a)]. The functioning achievements are, of course, causally related to commodity possession and use, and thus the constituent elements of the GNP do enter the determination of functioning achievements. Indeed, these elements are the means of which the functionings are the ends – a point of view clearly presented by Aristotle in *Nicomachean Ethics* and *Politics*.

In recent departures in consumer theory, developed by Gorman (1956, 1976) and Lancaster (1966, 1971), commodities are viewed in terms of their characteristics. This is clearly a move in the right direction as far as well-being is concerned, since the functionings achieved by a person relate to the characteristics of the commodities used. On the other hand, no index of characteristics as such could possibly serve as an indicator of the achievements of a person, since the conversion of characteristics into functionings can and does vary from person to person. Characteristics of commodities are impersonal in a way that functionings cannot be, since the latter are features of *persons*, whereas the former are features of *commodities*. The relationships between commodities, characteristics, and functionings, and the sources of variations in their interconnections, have been discussed elsewhere [see Sen (1980, 1985a, 1985b)].

The achievement of functionings depends not only on the commodities owned by the person in question, but also on the availability of public goods, and the possibility of using private goods freely provided by the state. Such achievements as being healthy, being well-nourished, being literate, etc. would depend naturally also on the public provisions of health services, medical facilities, educational arrangements, and so on. In recognizing this, there is no need yet to enter into the debate, which is important but need not be pursued here, as to whether provision by the state is a cost-effective way of enhancing the relevant functionings involved. That debate about development strategy will involve logistic and engineering issues, which require careful assessment. What is being pointed out here is the importance of judging development in terms of *functionings achieved*, and of seeing in that light the availability and use of the *means* to those functionings (in the form of possession of commodities, availability of public goods, and so on).

4. Freedom and capability

One of the functionings that may be thought to be particularly important in assessing the nature of development is the freedom to choose. Sometimes this

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concept is used in a rather narrow and limited way, so that the actual freedom to choose is not assessed, but instead the focus is on whether there are restraints imposed by others that hinder the actual freedom. That "negative" perspective, much pursued in the libertarian literature, does have, of course, philosophical standing of its own [see Hayek (1960), Berlin (1969), Nozick (1974)]. However, what is important to recognize in the present context is the fact that the "negative" emphasis on the absence of restraint is part of a moral approach that does not judge the goodness of a society in terms of the actual qualities of life achieved by the members of the society, and concentrates instead on the correctness of the processes through which these and other achievements come about. It is possible to debate whether the particular insistence on processes that do not involve such restraint is, in fact, as convincing as it clearly is to some exponents of this point of view. But in the present context, we need not enter into that large and important debate. It is sufficient here to note that as far as the living standards of the people are concerned, there is no escape from focusing on achievements, and processes come into all this mainly as means to and antecedents of those achievements, rather than being independently valuable in this context.

However, the positive freedom to be able to choose is, in fact, an important functioning on its own rights. Two persons who have identical achievements of other functionings may not still be seen as experiencing the same level of well-being if one of the two has no option to choose any other bundle of functionings, whereas the second person has significant options. Being able to freely choose to lead a particular life may be a point of a richer description of the life we lead, including the choices we are able to make [on this perspective, see Sen (1985a)].

A person's capability can be seen as the set of alternative functioning n-tuples any one of which the person can choose. One way of introducing the importance of freedom in the determination of well-being is to see well-being as a function not only of the actual functioning achievement, but also of the capability set from which that n-tuple of functionings is chosen. In this way of formally characterizing the problem, the list of functionings need not include "choosing" as such, but the value of choosing will be reflected in the evaluation by making that evaluation depend both on the chosen n-tuple of functionings, and on the nature and the range of the capability set itself.

There are difficult analytical problems involved in the evaluation of a set, in the light of the freedom it offers [on this see Koopmans (1964), Kreps (1979), Sen (1985b)]. But insofar as the assessment of the quality of life and of development achievements involves these considerations, it is important not to lose sight of this perspective, even though it may not be immediately possible to make extensive use of this approach in actual empirical exercises.

A different way of looking at this problem involves incorporating the freedom to choose in the nature of the functionings themselves by defining them in a
"refined" way [see Sen (1985a)]. Choosing to do \( x \) when one could have chosen any member of a set \( S \), can be defined as a "refined functioning" \( x/S \). The point can be brought out by considering the functioning of "fasting". When a person fasts he is clearly starving, but the nature of that functioning includes the choice \( \text{not} \) to so starve. A person who has no option but to starve (because, say, of his extreme poverty) cannot be said to be fasting. In assessing the achievements of the persons and of the society, the distinction between fasting and willy-nilly starving may well be very important. The route of "refined functionings", taking note of substantive exercise of choice, provides one particular way of incorporating the aspect of freedom in the assessment of functionings.

5. Weights and rankings

It should be clear that the perspective of functionings and capabilities specifies a space in which evaluation is to take place, rather than proposing one particular formula for evaluation. The exercise has to begin with an identification of valuable functionings. In the context of economic development, there might well be considerable agreement as to what functionings are valuable, even though there might be disagreement on the relative values to be attached to the different functionings. When an agreed list has been arrived at, the approach of "dominance" provides a minimal partial order on that space (in terms of greater achievement in every respect).

To go further than this will require more articulate evaluation functions. But these evaluations need not be based on a unique set of "indifference curves". The relative values may be specified as belonging to particular ranges, and corresponding to such specification of ranges, the overall ranking may be a partial order more extensive than the minimal dominance order but probably well short of a complete ordering. As the ranges of relative values are narrowed, the partial ordering will be extended. The mathematical technology involved in such evaluation (based on "intersection partial orderings") has been extensively used in other contexts [see, for example, Sen (1970), Blackorby (1975), Fine (1975), Basu (1979)]. The important thing to note here is that the problem of evaluation need not be seen in an all-or-nothing way. It is possible to extend the partial order by narrowing the ranges of weights, and how far one can go on the basis of agreement on evaluation will depend contingently on the nature of the exercise in question.

Even the specification of the space of functionings and capabilities does, however, have considerable cutting power. Achievements of real income and opulence may differ quite substantially from that of functionings and capabilities. To give just one example, in a comparison of the states in India, Kerala always figures as one of the poorest, in terms of GNP per head. On the other hand, in
terms of many of the more important functionings, including living long, being educated, etc. Kerala does better than any other Indian state. Given this contrast, it is interesting to ask whether Kerala should be seen as having more achievement or rather less than the other Indian states. This relates to a question of considerable importance to the formulation of the concept of development. The argument for placing Kerala at the high end, rather than the low end, turns on the evaluation of functionings and capabilities as the right approach to development.

A crude assessment of functionings and capabilities in terms only of a few indicators like longevity, literacy, etc. will, of course, be inadequate and have to be revised and extended, but the exercise can be systematically done if and only if the concept of development is seen in terms of ends rather than means. As it happens, use of information regarding morbidity detracts somewhat from Kerala's high record, since the extent of illness seems to be rather large in Kerala, in comparison with some other Indian states, even after taking note of the greater "awareness" of health conditions in a population that is more educated and better served by public health services [on this see Pankar and Soman (1984), Kumar (1987)]. The adoption of the perspective of functionings and capabilities will call for a great deal of empirical as well as theoretical work being done within that general format.

As was argued earlier, that format is, of course, an old one in economics, even though the focus on opulence on the one hand and utility on the other has tended to deflect attention from that fundamental concern. Aside from discussions by Aristotle, Smith, and Marx, to which reference was made earlier, it should be mentioned that ad hoc uses of this perspective can be found extensively in the economic literature. In many planning exercises, the specification of objectives has included a clear recognition of the importance of certain functionings, e.g. in the specification of a "minimum level of living" [see Pant (1962)]. The literature on development indicators has also brought in some of these functionings, along with many other types of variables [see, for example, Adelman and Morris (1973), Adelman (1975), Kakwani (1981), Streeten (1981)].

The literature on "basic needs" also relates to this question, since the specification of basic needs of commodities has to be related to the recognition of their role in the achievement of functionings. Even though the space in which the basic needs have typically been specified has been that of commodities rather than of functionings and capabilities, the motivation clearly does relate to attaching importance to the latter [see, for example, Streeten (1981), and Streeten et al. (1981)].

The literature on basic needs has been growing rapidly in the recent years, but clear discussions of this question can be found even in Pigou's classic book *Economics of Welfare* (1952). Of course, Pigou related his focus on the command over a minimal basket of commodities to the utilitarian perspective, whereas in
the modern literature quite often the foundational features have not been specified. It is arguable that these foundational questions are ultimately quite important for the concept of development, and it is precisely in that context that the capability approach provides a different strategy of assessment, more clearly geared to the evaluation of living as such rather than merely of the happiness generated by that living (as in the utilitarian approach). This is not the occasion to pursue the philosophical differences further [I have tried to do this elsewhere; Sen (1985a)], but there is no escape from recognizing the importance of this foundational question underlying the concept of development.

6. Values, instruments, and objects

One of the difficulties in adequately characterizing the concept of development arises from the essential role of evaluation in that concept. What is or is not regarded as a case of “development” depends inescapably on the notion of what things are valuable to promote. The dependence of the concept of development on evaluation becomes a problem to the extent that (1) the valuation functions accepted by different people differ from each other, and (2) the process of change involved in development alters the valuations of the people involved. These two problems may be called respectively “value-heterogeneity” and “value-endogeneity”.

The problem of value-heterogeneity was already addressed earlier in the context of valuations of functionings and capabilities. It was pointed out that even when there are disagreements on the relative values to be attached to different functionings and capabilities, it is still possible to get uncontroversial partial orderings, based minimally on “dominance”, but more extensively on “intersections” of the class of acceptable valuation functions. It is, of course, a matter of substantive normative analysis to argue in favor of some valuation functions against others, and insofar as the ranges of disagreement could be reduced through this means, the scope and reach of “intersection partial orderings” can be correspondingly enhanced.

Much of traditional development economics has proceeded on the basis of implicitly assuming a fairly large intersection of valuations related to objects of development. Even though the original discussions of economic development had tended to concentrate on the GNP and real income as such, the evaluation underlying that approach was implicitly based on assuming a widespread agreement on the ends to which real income and opulence are means. The shift in the focus of attention to basic needs, quality of life, and functionings and capabilities in general, would not change the assumed agreement on the underlying basis of

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7On this general question, see Marglin and Marglin (1986).
development analysis. The problem of value-heterogeneity is undoubtedly serious, but it is by no means absurd to think that the actual extent of agreement is indeed quite large. Most of the debates on development policy have tended to concentrate on the relationship between policy instruments and agreed ends (accepted in the analysis of policy).

It is, however, possible that a more explicit characterization of well-being and of people's freedom to achieve what they would value achieving will increase the demand for data and information in the conceptualization of development. For example, the scope for using more demographic and health-related information is certainly great in assessing the real achievements of development, and recent works dealing with the past as well as the present have outlined the necessity of seeking this type of information, neglected in traditional development analysis.\(^8\)

It is possible that once these informational needs are recognized, there might again emerge a fair degree of consensus on what is to be valued and how. On the other hand, it is also possible that there might be much disagreement regarding the respective importance of different aspects of well-being. Some of these differences might involve scientific argumentation as to the precise role of different variables in human functioning. For example, whether an expansion of body size related to the process of economic development is an achievement of importance can be disputed in terms of the alleged presence or absence of relations between body size and performance. The conversion of nutrients into body characteristics and the role of body characteristics in achieving valuable functionings both call for close scrutiny.\(^9\)

Other disputes may turn not on factual relations, but on what is to be regarded as an important part of a valuable life and how valuable it is. It would be idle to pretend that disputes on the relative importance of different types of functionings can be fully resolved on the basis of scientific argument alone. It is, therefore, particularly important to build into the concept of development the possibility of persistent incompleteness in ranking. Seeing the agreed ranking as the intersection of the partly divergent valuation functions must, of necessity, entail this.

The value-endogeneity problem raises issues of a somewhat different kind from those raised by value-heterogeneity. With value-heterogeneity the intersection partial ordering may have to be silent on some comparisons, but insofar as judgements are possible, they can be made on the basis of a given valuation function (whether or not complete). Value-endogeneity, on the other hand, raises what is, in some ways, a deeper problem, to wit, the dependence of the valuation function on the thing that is being valued. The process of development may bring about changes in what is regarded as valuable and what weights are attached to

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these objects. There are complex philosophical issues involved in judging changed conditions, when those changes bring about alterations in the values attached to these conditions.\(^\text{10}\)

However, in this problem too there is a possibility of using an “intersection” technique. A change may be judged to be an improvement if it is superior both in terms of the antecedent values and subsequent values, i.e. prospectively better than the available alternatives and also retrospectively better than the rejected alternatives. In this case, there may be at least a pragmatic argument in favor of regarding this to be a genuine improvement, even though a purist might doubt whether such judgements can at all be taken as definitive when they are generally volatile (even though not, as it happens, in a way that affects the judgement of this particular change). Even this pragmatic justification will not obtain if the judgements based on antecedent values differ on the particular issue under discussion from those based on subsequent ones. It is possible for a change to be regarded as worse in terms of the earlier values, but better in terms of valuations made after the event.

In the more philosophical literature, the case for seeing valuations as having a certain measure of objectivity has increasingly gained ground compared with the situation that obtained some decades ago.\(^\text{11}\) The “objectivist” position is, in fact, in line with very old traditions in ethics and political economy (going back at least to Aristotle), even though it was extremely unfashionable at the time development economics emerged as a subject, when the dominant schools of methodology were “positivism” of various types. The “objectivist” position would tend to support the possibility of resolving the conflicts involved in intertemporal changes in values by rational assessment.

These foundational issues will not be pursued further here. It is sufficient for the present purpose to note that no matter what view is taken of the nature of valuation, the practical problems of making judgement in the situation of value-heterogeneity and value-endogeneity must be enormous. Even if these differences could in principle be resolved through rational assessment, the possibility of actually resolving these differences in practice may be severely limited. Given that fact, the necessity of settling for partial orders in response to value-endogeneity as well as value-heterogeneity is, to some extent, inescapable.

Explicitly facing these problems of valuation has some advantages which should be emphasized. First, separating out relatively uncontroversial judgements from the controversial ones related to value-heterogeneity and value-endogeneity, helps to clarify what can be asserted with some confidence, and what can be said only with much greater hesitation. A lot of the debates on policy making in the

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\(^{10}\)For an interesting discussion of this question, see Elster (1979, 1983). Some similar issues are raised in consumer theory when tastes are taken as endogenous (see, for example, von Weizsacker (1971), Pollak (1978)). See also Hirschman (1970).

context of economic development relates to valuation problems that are not unduly problematic. Whether state intervention or reliance on the market may be better means of enhancing living conditions is, of course, both important and controversial, but the controversy has typically centered, rightly, on the relationship between means and achievements, rather than on differences in valuation. By explicitly facing the sources of the difficulties in valuation, it is possible to give those debates a deeper foundation, without compromising the broad motivation underlying development economics.

Second, in some parts of the development literature, values have been treated as if they are simply instrumental to economic development, rather than the ultimate basis of judging the nature of development itself. For example, encouraging the valuation of profits and that of enterprise has often been seen as good means of development. Certainly, in terms of the dependence of economic growth on particular motivations these propositions can be helpfully presented and assessed. On the other hand, it is also important to recognize that values are not just instruments, but also views about what should or should not be promoted. This dual role of values—both important and neither sacrifiable—was recognized clearly enough by pioneers of modern economics, including Adam Smith (1776, 1790) and Karl Marx (1844, 1875). The foundational role of values can be neglected in favor of an instrumental view only by trivializing the basis of the concept of development.

7. Conclusion

The concept of development is by no means unproblematic. The different problems underlying the concept have become clearer over the years on the basis of conceptual discussions as well as from insights emerging from empirical work. Insofar as these problems have become clearer, something of substance has in fact been achieved, and the demise of the brashness which characterized the initiation of development economics need not be seen entirely as a loss. A clearer recognition of the difficulties and problems is certainly a step in the direction of enhancing our ability to tackle them.

Work on valutional problems will undoubtedly continue. Meanwhile, the agreed valuations in the form of emphasizing the importance of certain basic achievements in life make it possible for us to pursue practical debates on policy and action on the basis of an acceptable valuational foundation. Since many of these debates relate to matters of life and death, well-being and illness, happiness and misery, freedom and vulnerability, the underlying objectives are perspicuous enough and command broad agreement. Work on development economics need not await a complete “solution” of the concept of development.
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