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& M. H. Mehta Science College, Palghar



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Maharashtra Philosophy Council 37th Conference

Date 1st & 2nd October 2021



Theme of Conference

Contemporary Problems and Role of Philosophers

Philosophy of Dr. Amartya Sen || Philosophy of Modern Saint Vai. Sonopant Dandekar

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Amartya Sen Philosophy: Key Points on Contributions of Economics

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Abstract:

The present paper shows that the focused on the poor, viewing them not as objects of pity requiring charitable handouts, but as disempowered fold needing empowerment, education, health, nutrition gender equality, safety net in times of distress, all are needed to empower people. Sen opines that is the role, the state should play rather than taking over the means of production while neglecting social sectors. On these ground's, Sen has influenced the IMF and the World Bank so much that today, they sometimes sound like Sen himself. Truly speaking, Sen's contribution to applied economics is a momentous and relevant to the contemporary world as J.M. Keynes' Theory of Employment during the years of the Great Depression about seven decades ago. Economics to him is like it was to Marshall – a hand maid of ethics and servant of practice.

Keywords:

Poverty and Famines, Poverty and Inequality, Concept of Capability, Entitlement, Choice of Technique, Time Series Criterion and Other Economic Ideas

Introduction:

Amartya Sen was born November 3, 1933, Santiniketan in India. Indian economist who was awarded the 1998 Nobel Prize in Economic Sciences for his contributions to welfare economics and social choice theory and for his interest in the problems of society's poorest members. Sen was best known for his work on the causes of famine, which led to the development of practical solutions for preventing or limiting the effects of real or perceived shortages of food. Sen, who devoted his career to such issues, was called the "conscience of his profession." His influential monograph *Collective Choice and Social Welfare* (1970) which addressed problems such as individual rights, majority rule, and the availability of information about individual conditions inspired researchers to turn their attention to issues of basic welfare. Sen devised methods of measuring poverty that yielded useful information for improving economic conditions for the poor.

Objective of the Study:

The present study aims to evaluate Amartya Sen Philosophy of key points on contributions of economics.

Methodology:

The data for the present study has been collected from existing secondary literature, such as books, journals, published and unpublished annual reports, Govt. Manuals/Orders, websites etc.

Amartya Sen Philosophy of Key Points on Contributions of Economics:

Key Points on Contributions of Economics are as under:

1. Poverty and Famines:

Sen's "Poverty and Famines", an essay by Sen on Entitlement and Deprivation (1981) is both theoretical and applied work. In the essay, several famines have been studied in the working of a general theoretical frame work from an original angle. He examined various meanings of poverty and drew attention to the incidence of absolute and relative deprivation. Sen gives very interesting data on how with relative rise in rice prices and the collapse of the rural labour's



entitlements of purchasing rice, there was a relative fall in the prices of a number of other commodities, like wheat flour, mustard oil, cloth, milk, fish, and haircuts. He relates the head-count ratio of poverty to the measure of inequality of deprivation of people below the poverty line. Sen identified various causes that lead to different famines and demonstrated that the decline in aggregate food availability is not the primary cause. Sen's theory led to a controversy on whether food availability decline was not the cause for the Bengal famine. The two factors which he has highlighted are, the adverse effects on the poor of the steep rise in the price due to the inflation of currency by the government and the reduction in market supplies due to speculative hoarding which also helped to boost prices further. Sen Disputes the thesis that aggregate food decline was the chief factor causing the famine. The Nobel Committee has correctly appreciated Sen's analysis of the mechanism of the famine, which is important in itself irrespective of the controversy concerning empirical causes of the famine. The Nobel Committee has done well in identifying Amartya Sen' as the leading international economist of modern times who has addressed himself to the studies in famines and hunger in different parts of the world. His plea for regular assured food entitlement and the avoidance of inflation should surely be welcomed in all poor countries.

2. Poverty and Inequality:

Sen has carried out massive work on poverty and inequality in India. Sen's major point has been that the gap simplicity approach will not do. The distribution of income/consumption among the persons below the poverty line is to be taken into account. One has to be assumed that the initial distribution below poverty line would remain more and less unchanged. The intuitive finding was that the more skewed the distribution below the poverty line, the larger would be the Sen gap. Sen produced a neat formula, termed as the poverty measure, known as the Sen Index.

$$P = [1 + (1-1) G] H$$

Where P is the poverty index, 1 is the measure of distribution, G is the Gini coefficient, and H is the head count proportion of the people below the poverty line. The procedures adopted by Sen, seems to treat the inequality measure about the poverty line and that the poverty line as largely independent of each other. Sen measure is sensitive to changes in distribution parameter in the poverty line groups, changes in the price index of wage-goods, changes in the relative prices of wage-goods due to productivity changes in the latter etc. Sen's view is that the causes of poverty in India are illiteracy, poor health care, unemployment, bureaucratic administration etc. An illiterate person can hardly engage himself in production or in service. He is unaware of modern means of livelihood. Sen has suggested removal of illiteracy, malnutrition, unemployment etc. within a specific time period. He found that unequal distribution of wealth and income or concentration of wealth in fewer hands, illiteracy were the causes of poverty in countries like India. In Indian system, women members of a family are deprived of sufficient food, medical facilities etc. From the records of deaths during the period of famine, he found that among the victims, the number of women surpassed the male counter parts. Old women and female children died in larger numbers.

3. The Concept of Capability:

The concept of capabilities developed by Sen has been cited as a better index of wellbeing than commodities or utilities. Capability, as defined by Sen, is the ability to transform Rawlsian primary goods to the achievement of wellbeing. Capability of human being is his ability of functioning in different capacities in a society such as to enable him to achieve the components or the constitutions of his well-being. Such functioning ability concretely implies access to adequate and nutritious food. Some measures are general and probably technical education, medical and



health care facilities and a measure of security regarding the availability of the above. Sen has helped to induct indicators regarding the above in the human development index. A separate capability index for different countries has also been developed. Capability includes also an environment of freedom of choice and ability to make use of the various freedoms. Hence capability is prior to the attainment of the desired welfare states of individuals. Sen has argued that poverty is a result of capability failures. Sen has a wide ranging critique of conventional welfare economics on account of neglect of the capability dimension. His ideas in this area are continuously evolving and further break through may be expected. Capability is a normative concept. Capability development involves costs to society though the benefits may exceed the cost. If capability is deemed as a measure of surplus in human beings, classical economic analysis can be applied to it.

4. Entitlement:

The concept of entitlement in the United States refers to the legally enforceable rights against the state like those of old age pensions. Sen has included in the concept of entitlements items like nutritious food, medical and health care, employments, security of food supply in times of famine etc. He considers famine as arising out of the failure of establishing a system of entitlements. He recognises that the market can provide entitlement provided all people can get work and a reasonable wage. The market will not provide entitlements in respect of some capability improving items. There are no identifiable reciprocities of commercial significance. Sen has vigorously asserted that expansion of market is among the instruments that can help to promote human capabilities and gave the imperative need for rapid elimination of endemic deprivation. It would be irresponsible to ignore that opportunity. There are major gains to be made in globalisation. But if a country has globalisation at the highest possible speed and pays no attention to lack of social opportunity, illiteracy and lack of health care, it was creating problem for itself. In that case, the blame lies not with globalisation but with concomitant policies with which it was being married to. Globalisation need to be put in a broader context of social and economic policies. It could be a major force for prosperity only if it is backed by adequate national policies in a conducive social and economic environment. Sen has compared the Indian Index of Human Development with a Chinese Index of Human Development in which China is in a much higher scale. But he has compared the human development of China with human development index of Kerala, in which Kerala is better placed without any coercion in spite of low income in comparison to so many states in India. Kerala's data on human development show the regional variation and mismatch between income and human development in Indian States. The data also shows the variations in the public action in different states in India because Kerala's progress on human development front is a result of public action and not the policies of globalisation and liberalisation.

5. Choice of Technique:

Sen's 'Choice of Technique' was a research work where he argued that in a labour surplus economy, generation of employment cannot be increased at the initial stage by the adoption of labour intensive technique. He pleaded for adoption of capital-intensive technique in a developing country like India. His argument was that capital-intensive technique strengthens the economic foundation of the country which help in further expansion of the economy. The expansion of capital – intensive projects has a snow – balling effect on development in general including agriculture and industry. The scope of expansion of employment opportunities is more in capital –



based project compared to labour – based projects. This idea of Sen cannot be said to be totally new one, because the Indian planners adopted Mahalanobis capital-intensive four sector model in the second five year plan before the publication of 'Choice of Technique' in 1960.

6. The Time Series Criterion:

A.K. Sen begins with the problem of an investment planner who has to make a choice between various techniques. This person has to start with the estimates of real income flows corresponding to each technique. If (m_1/m_2) is the ratio of the volumes of investment with technique 1 and technique 2 respectively and if (r_1/r_2) is the ratio of reinvestment that would be possible when the investment planner choose the respective techniques, technique 1 will lead to a higher or lower rate of growth depending on whether m_1 is greater or less than m_2r_2 . But this is not enough to make a choice between the two techniques; it is very much possible that a higher growth rate does not provide a higher level of social welfare. Sen, therefore, argues, "After getting the two time series of income flows we have to apply the relevant rates of time discount.

The time discount is necessary because of at least two reasons:

- The diminishing marginal social utility of income with the rising income level, and
- The uncertainty of the future. If marginal social utility of income falls quickly and becomes negligible as income rises beyond a certain level, it is possible that higher rate of growth of income may not give us a higher sum of total social satisfaction".

Sen admits that beyond a point these rational calculations cannot be applied, because it is very difficult to foresee all that is going to happen in the future. He, therefore, suggests a less satisfactory but more workable method under which a period of time that is to be considered is to be fixed and then one should see whether the loss of immediate output due to the choice of the more capital – intensive technique is more than compensated by the extra output from it later, before the period under consideration is over. He conceives a period of recovery and defines it "as the period of time in which the total output, with the more capital-intensive technique, is just equal to that with the less intensive technique". Sen uses, OT represents the period of recovery, as the surplus area for the capital intensive techniques, (BCC,) is exactly equal to the deficit area (BAA'). H and L curves indicate the time series of consumption flows from the capital intensive and labour intensive techniques respectively. But the investment planner wishes to consider period U which lies between O and T. If $U = T$, the investment planner would be indifferent between the two techniques. He would choose technique L if $U < T$, and technique H if $U > T$.

Limitations:

Sen himself is aware of the limitations of this approach. According to him there is an arbitrariness involved, since it is assumed that there is no time preference up to the end of the period U and thus each unit of income has an equal value. But beyond the period U income is of no value. Thus the time factor is suddenly introduced. Sen, however, assures that such arbitrariness cannot easily be avoided on account of the very nature of the problem. He further states that if extreme values of U are not chosen, it will become less arbitrary than the Kahn – Chenery approach of the S.M.P. criterion or the Galenson – Leibenstein approach of reinvestment criterion. Further there is not much reality in Sen's period of recovery approach. If we assume $U = 1$, Sen's approach becomes exactly the same as the Polak-Buchanan rate of turnover criterion. It implies that the investment planner's interest is limited to the first period only and therefore, that technique is to be preferred which could provide a higher rate of immediate output. If we assume $U = a$, Sen's approach becomes similar to the Galenson – Leibenstein rate of reinvestment criterion.



according to which, it is the higher rate of growth all that is wanted. A.K. Sen and Maurice Dobb explicitly introduce dynamic elements while stating their criterion, but even they do not take into account the relevant constraints that may become effective at future points of time.

7. Other Economic Ideas:

Sen was in favour of land reforms. In 1962, he opined that there was an inverse relationship between farm size and productivity. Sen believed that productivity on a small plot of land owned by a single person is higher because the owner of the land can devote personal energy to cultivation. The farmer considers the land as the only source of his income or livelihood and he whole heartedly tries to increase productivity of that plot of land. Personal care by the farmer helps to increase production. Sen's idea about farm size and productivity is controversial in nature. But his concept of farm size and productivity has not been proved to be correct. Sen himself changed his view of farm size and productivity in 1980. Sen has opined that an opportunity for a break from the past could have been seized when economic reforms were initiated in 1991, but the focus of attention in that programme has been almost exclusively on the opening up of the Indian economy and no broadening the reach of the markets. Those are certainly worthy goals, and the need for reform had been strong for a long time in the over regulated Indian economy but the lack of any initiatives towards a radical change in social policies, including those in basic education and elementary health care, is a major failure with deeply negative implications on the prospect of improving living conditions and even on the changes of success of the market reforms themselves. According to Sen, there is a deep seated complementarity between various economic arrangements including market mechanism and social opportunities. On the other hand, the opportunity offered by a well-functioning market may be difficult to use when a person is handicapped by, say, illiteracy or ill health.

On the other hand a person with some education and fine health may still be unable to use his or her abilities because of limitation of economic opportunities related to the absence of markets, or over-zealous bureaucratic control, or lack of access to finance, or some other restraint that limit economic initiatives. The use of economic opportunities by one person can open up further opportunities for others through backward and forward linkages in supply and demand. Sen has given greatest strategic importance to the expansion of health and education especially primary health and education in the process of economic development for having the influences that go much beyond the immediate personal effects. If machinery did nothing to raise production, it would be quite eccentric to value its existence, nevertheless, where as being educated or being in good health could be valued even if these would do nothing to increase the production of commodities, because the human resource is not only means of production but ultimate end also. Sen is especially worried about the fact that agency of women as a force for change is one of the most neglected aspect of the development literature. Inequality between men and women is one of the most crucial disparity and social failures in many societies including India and it would not decline automatically with the process of economic growth. By simply decline in poverty which is of course a matter of deprivation, cannot assure a simultaneous decline in inequality. Recognition of women as agent of social change is essentially needed for which specific focus should be given on women sector in the process of human development efforts. Conclusively, Amartya Sen, more than just an economist, is an ethical philosopher. He is a lover of freedom and a humanist. He has focused on the poor, viewing them not as objects of pity requiring charitable handouts, but as disempowered fold needing empowerment, education, health, nutrition gender equality, safety net



in times of distress, all are needed to empower people. Sen opines that is the role, the state should play rather than taking over the means of production while neglecting social sectors. On these ground's, Sen has influenced the IMF and the World Bank so much that today, they sometimes sound like Sen himself. Truly speaking, Sen's contribution to applied economics is a momentous and relevant to the contemporary world as J.M. Keynes' Theory of Employment during the years of the Great Depression about seven decades ago. Economics to him is like it was to Marshall – a hand maid of ethics and servant of practice.

Conclusion:

It is observed that the focused on the poor, viewing them not as objects of pity requiring charitable handouts, but as disempowered fold needing empowerment, education, health, nutrition gender equality, safety net in times of distress, all are needed to empower people. Sen opines that is the role, the state should play rather than taking over the means of production while neglecting social sectors. On these ground's, Sen has influenced the IMF and the World Bank so much that today, they sometimes sound like Sen himself. Truly speaking, Sen's contribution to applied economics is a momentous and relevant to the contemporary world as J.M. Keynes' Theory of Employment during the years of the Great Depression about seven decades ago. Economics to him is like it was to Marshall – a hand maid of ethics and servant of practice.

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