

Review of: "Economics Rationality in the World of Amartya Sen"

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As Eva Mariani points out, Amartya Sen is justly celebrated for his seminal contributions to development theory, particularly in shifting the focus of development policy from economic growth to supporting the enhancement of human capabilities and functionings,[1] or, as per the title of his 1999 book, *Development as Freedom*. Mariani would like also to attribute to Sen “shifting our paradigm about the concept of economic rationality.” She argues that “he has reintroduced ethical concepts into economics” by injecting “commitments” into “the new structure of economic theory of rationality,” hence reconnecting economic rationality with ethics and the economic agenda with the formation of the common good (p. 11). In this I believe she is mistaken. In Sen’s 1977 essay, “Rational Fools: A Critique of the Behavioral Foundations of Economic Theory,” the main text Mariani discusses, Sen indeed argues that the defining features of rationality in contemporary economic theory, the promotion of self-interest and internal consistency, are inadequate for a full conception of rationality. While he demonstrates limitations of the economic conception of rationality, he does not succeed in widening it in or displacing it from its position in economic theory. Just as Sen’s conception of freedom stands as an alternative to economic growth as the aim of development, so his critique of economic rationality demonstrates that economic theory alone is an inadequate basis for promoting the common good. The foundations of ethics are far wider than economic rationality. “Rational Fools” makes a move to incorporate commitments, and hence duty, into the concept of rationality. Whatever one makes of this move—I think it fails—at most it broadens the wider concept of rationality. It does not alter the conception of rationality used in economics. The way to connect economics with the formation of the common good is not to expand its definition of rationality but to recognize that it only addresses part, and a narrow part at that, of what constitutes the common good.

When I took economics in college I was taught that it was enough for economic analysis if the behavior of agents in economic markets can be modeled as if it were driven by self-interest. Then as long as agents’ market behavior can also be assumed to reflect consistent preferences (along with a raft of other assumptions), and taking the distribution of assets as given, there is a specific sense—Pareto optimality—in which competitive markets maximize utility. These assumptions help to constitute the foundations of neoclassical economics as an empirical science, the interpretation of supply and demand curves, and the resulting infrastructure for analyzing prices, distribution, and economies generally.

Given the ubiquitous use of the term “rationally self-interested utility maximizing agent” within the practice of economics, one might be forgiven for taking it as a descriptively accurate and normatively appropriate characterization of economic agents, or even as an ideal. The “as if” sometimes comes to be taken not only as actual but as good. It should not be

surprising that immersing oneself in an analytic system based on a particular characterization of choice could lend that characterization normative power. It is also true that in the history of philosophy at least since Socrates the view often resurfaces that human behavior ultimately is and/or should be self-interested, but this is typically the view of the ethical skeptic against whom philosophy is to be defended. Mariani comments that “The selfish man has even been made up with such esteemed as ‘economic beings’ or ‘rational agents.’” She supports Ian Hacking’s view that “the definition we put on people form them [*sic.*],” that there is a tendency for people to adapt their behavior to the labels applied to them. As real as this tendency may be, however, in this case it should be seen as a tendency to be resisted, not used to better effect.

In “Rational Fools” Sen asserts that the essay aims to address a question about a “view of man” developed to address 19th century philosophical concerns that “survives more or less intact in much of modern economic theory ... namely, in what sense and to what extent would egoistic behavior achieve general good? Whether or not egoistic behavior is an accurate assumption in reality does not, of course, have any bearing on the accuracy of ... the question posed.”[2] Sen is prepared to accept that in the analysis of consumer behavior related to consumption confined to “private goods,” the assumption of egoism, roughly equivalent to self-interest, is workable enough. When it comes to “public goods,” however, such as “a road or a public park, which you and I may both be able to use,” he argues that “commitment,” which necessarily involves “counterpreferential choice” that “drives a wedge between personal choice and personal welfare,” should also be considered.[3] Sen includes under commitment “acts on the basis of a concern for duty,” which Mariani takes to cover acts “of solidarity, patriotism, public ethics, sacrifice, loyalty, responsibility to future generations, the common good and other moral values to the common life” (11). Sen takes the economic model of rationality to be insufficient for public goods.

Sen makes no proposal, however, for how commitment could be incorporated in the valuation of public goods. He argues that “admitting behavior based on commitment would, of course have far-reaching consequences on the nature of many economic models,”[4] but although commitment is often considered as a factor in the value people assign to public goods, no standard methodology has arisen for including it.[5] Sen discusses various ways in which commitment influences behavior such as voting and motivation to work, but we already knew that the economic model of rationality is not a complete theory of human behavior. In the 19th century discussion with which Sen engages, utilitarianism, oriented to maximizing the sum of satisfactions for everyone, is a more widely accepted ethical theory than egoism. Utilitarianism obviously rejects defining rationality in terms of self-interest and consistency.

In common speech rationality is often associated with the effective pursuit of ends. The choice of ends is the broad subject of ethics. Economics has built an important edifice of social analysis based on a variety of simplifying assumptions, but it is only one part of social analysis. The concept of commitment is a potential bridge from rational self-interest toward a wider conception of ethics, but Mariani and Sen are wrong to try to subsume it under rationality.

Endnotes

[1] Amartya Sen, "Development: Which Way Now?" *The Economic Journal* 93:372, December 1983, 745-762.

[2] Amartya Sen, "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory," *Philosophy & Public Affairs* 6:4, Summer 1977, 317-344; 320-321.

[3] Ibid., 327-330.

[4] Ibid., 341.

[5] See e.g. Daniel Kahneman and Jack L Knetsch, "Valuing public goods: The purchase of moral satisfaction," *Journal of Environmental Economics and Management* 22:1, January 1992, 57-70; M. Sagoff, "Aggregation and deliberation in valuing environmental public goods: A look beyond contingent pricing," *Ecological Economics* 24:2-3, February-March 1998, 213-230.