

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

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Review of Evi Mariani's "Economics Rationality in the World of Amartya Sen"

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Eva Mariani's "Economics Rationality in the World of Amartya Sen", published in *Qeios* on March 24, 2023, is a good take of the works of Amartya Sen on rationality, choice, and development economics. By employing a descriptive qualitative approach, Mariani asserts Amartya Sen's view on economic rationality. Mariani writes Sen has strongly criticised the modern economic viewpoint that proposes two types of rationality in economic motives of individual acts. First, self-interest as a measure of rationality of action is insufficient because there are actions that are not motivated by a desire to improve one's own well-being. Second, because individual choice is not the same as preference, consistency of choice as a benchmark of rational action is insufficient. As a result, Sen introduces ethical concepts into economics as a counter-preference to his new concept of rationality. In Amartya Sen's world, economic rationality is inextricably linked to ethical reasoning. Sen contends that the strict separation of economics and ethics has resulted in one of the major flaws of contemporary economic theory.

Mariani writes, Sen believes that there are two dominant methods for rational behaviour: self-interest maximisation and internal consistency of human choice. These narrow criteria are implicit in the theory and become standards of economic rationality. Sen rejects the notion that rationality is synonymous with self-interest maximisation because some actions are not motivated by self-interest.

Mariani speaks of at least three issues with what Sen is trying to do with all the criticism. Sen first tries to defend the idea of rationality from circular reasoning, i.e., judging truth (epistemic) and goodness (ethics) of a choice based on the actual choice made. How do I know my decision is morally sound and right? Since I made my choice, I am certain that it is good and appropriate. The second layer focuses on the choice's ability to refer to itself. Without any external references to motivation, values, adherence to rules, traditions, loyalty, or identity, choice is the basis for its truth and goodness. Second, Sen argues against the idea that economic rationality is about maximising self-interest since the idea

of rationality is so limited that it even reduces the analytical and descriptive capabilities of economics. Indeed, economics requires a brief period of conceptual austerity (parsimony) inside its methodological processes, just like other sciences. Nonetheless, it is unquestionably an extreme form of conceptual austerity to reduce economic action to a firm maximising self-interest. Third, Sen attempts to put out a rationality definition that is fundamentally different from the one typically employed in economics based on his criticism. Sen describes rationality as accuracy and discipline in choosing means and goals of action, values and priorities, on the basis of a reasoned scrutiny. That definition sounds unoriginal and lacks any freshness. Sen's definition must, however, be read in light of how conventional economics views reason.

Finally, Mariani concludes that Amartya Sen has made a significant contribution to changing the way we think about the idea of economic rationality. He has brought moral ideas back into economics. Sen has demonstrated his opposition to two forms of economic rationality. First, Sen argues that using self-interest as a barometer of rationality is insufficient because certain decisions are not motivated by an attempt to advance one's own benefit. Second, because individual choice differs from preference, the consistency of choice as a yardstick for rational behaviour is also unsatisfactory.

This is a very readable piece and I do have a great learning experience. However, I may add something to this. Mariani writes in the abstract, Sen "is the originator of the Human Development Index." She has forgotten to give credit to Mahbub Ul Haq for developing the Human Development Index. Sanjaya Baru writes "Haq sought the help of Amartya Sen, Meghnad Desai and Sudhir Anand in constructing an index that he will henceforth be remembered by. Measuring 'human development' in terms of longevity, knowledge and living standard, with equal weight being assigned to each, Haq and his associates constructed the human development index (HDI)."[1]

The beauty of social choice theory for Sen was not only that it was analytically interesting, but it also provided him with a framework for addressing practical political issues, most notably the best way to assess social progress. In the past, the economic community come to rely on national income statistical data to measure a society's overall income or output, such as GNP and GDP.

Another point could have been addressed in this paper that, are people only driven by their own interests? According to the mainstream theory of economic rational choice, they are. Amartya Sen, on the other hand, believes that idea of commitment is essential to his vision of an alternative to conventional rational choice theory.[2] Sen has played a slightly different role in this fundamental field of economic theory than many other well-known thinkers. Sen has made significant contributions to the conventional economic theory of rational choice and preference in several of his earlier publications, but he has also sharply criticised a number of its components. He has pointed out numerous flaws in the prevalent economic theory of rational choice and consistently questioned the intuitive importance and reality of certain components.[3]

Rationality has been one of the key concerns of Sen's arguments, as he notes – given the multiplicity of preferences, concerns, and circumstances of the various individuals within the society, how is it feasible to reach valid aggregate judgements about the society, for example, about "social welfare," "the public interest," or "aggregate poverty"? How can we establish any rational foundation for statements like "this is what society likes over that," "the society should pick this

over that," or "this is what society thinks is right?" Given that there may be "as many preferences as there are people," is it really conceivable for society to make decisions that are reasonable"?[4] According to Sen, "[R]ationality is interpreted here, broadly, as a discipline of subjecting one's choices – of actions as well as objectives, values and priorities – to reasoned scrutiny. Rather than defining rationality in terms of some formulated conditions that have been proposed in the literature (such as satisfying some pre-specified axioms of internal consistency of choice, or being in conformity with "intelligent pursuit of self-interest," or being some variant of maximizing behavior), rationality is seen here in much more general terms as the need to subject one's choices to the demands of reason." [5]

Sen draws attention to a crucial caveat regarding the connection between the assessment of consequences and the appraisal of actions. A person has a set of distinct individual strategies in game-theoretic formulations, and the exercise of maximisation involves choosing a maximal strategy from that set (including randomization over these strategies). Of course, such behaviour may be subject to complex strategic considerations, which can be particularly crucial when the game is repeated. Yet, in this framework, no further ethical consideration is given to the decision-making process for actions and tactics. Given a strategy's viability, the only factor influencing a person's decision to use it is how well it will advance her objective function, both directly and indirectly.[6]

Mariani's work is interesting as she has taken into account adequate sources and explained the matter analytically.

[1] Sanjaya Baru, "Mahbub UI Haq and Human Development: A Tribute," *Economic and Political Weekly* 33, no. 35 (1998): 2275–79. <http://www.jstor.org/stable/4407121>.

[2] Mark Peacock, *Amartya Sen and Rational Choice: The Concept of Commitment* (Oxon: Routledge, 2020).

[3] Shatakshee Dhongde and Prasanta K. Pattanaik, "Preference, Choice, and Rationality: Amartya Sen's Critique of the Theory of Rational Choice in Economics," in *Amartya Sen*, ed. Christopher W. Morris (Cambridge: Cambridge University Press, 2009), 13–39. <https://doi.org/10.1017/CBO9780511800511.003>.

[4] Amartya Sen, "The Possibility of Social Choice." *The American Economic Review* 89, no. 3 (1999): 349–78. <http://www.jstor.org/stable/117024>.

[5] Quoted in Vivian Walsh, "Amartya Sen on Rationality and Freedom." *Science & Society* 71, no. 1 (2007): 59–83. <http://www.jstor.org/stable/40404363>.

[6] Amartya Sen, "The Formulation of Rational Choice," *The American Economic Review* 84, no. 2 (1994): 385–390. <http://www.jstor.org/stable/2117864>.