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The Standard of Living: Lecture I, Concepts and Critiques*

It is hard to think of an idea more immediate than that of the living standard. It figures a good deal in everyday thought. It is, in fact, one of the few economic concepts that is not commonly greeted with the uncommon scepticism reserved for the other concepts of economics, such as 'perfect competition', or 'general equilibrium', or 'consumers' surplus', or 'social cost', or the almost supernatural 'M3'. While people are not prone to ask each other, 'How is your standard of living these days?' (at least, not yet), we do not believe we are indulging in technicalities when we talk about the living standard of the pensioners, or of the nurses, or of the miners, or – for that matter – of the chairman of the Coal Board. The standard of living communicates, and does so with apparent ease.

And yet the idea is full of contrasts, conflicts and even contradictions. Within the general notion of the living standard, divergent and rival views of the goodness of life co-exist in an unsorted bundle. There are many fundamentally different ways of seeing the quality of living, and quite a few of them have some immediate plausibility. You could be *well off*, without being *well*. You could be *well*, without being able to lead the life you *wanted*. You could have got the life you *wanted*, without being *happy*. You could be *happy*, without having much *freedom*. You could have a good deal of *freedom*, without *achieving* much. We can go on.

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Diversity is indeed part of the traditional picture of the living standard. Our job is not so much to evade it, but to face the diversity squarely and to find our way through it by drawing on the motivation underlying the interest in, and the use of, the concept of the standard of living. The living standard cannot be defined completely afresh by us 'professionals', and we must not sacrifice all the richness of the idea of the living standard to get something nicely neat and agreeably simple. There are too many associations and uses of the idea of the living standard for it to be treated as putty that can be refashioned as we like. We do, of course, have room for choice – indeed it is a *necessity* – given the contradictions among the different extant interpretations of the concept. But we must also relate our assessment and choice to pre-existing motivations and needs, while keeping the door open to meeting new demands and responding to untraditional problems.

COMPETITIVE AND CONSTITUTIVE PLURALITY

There are two rather different types of diversity in an idea like the standard of living, and it is useful to distinguish clearly between them. One type of diversity may be called 'competitive plurality'. Here different views stand as *alternatives* to each other. We can choose one of the rival views but not all of them (indeed not more than one). The other type is, in a sense, an *internal diversity within* a view, which may have different aspects that supplement but do not supplant each other. This may be called 'constitutive plurality'.

For example, if one view of the living standard sees it as *pleasure* and another as *opulence*, then this is an example of 'competitive plurality'. Of course, pleasure is not independent of opulence, but in their pure forms pleasure and opulence are *alternative* ways of seeing the living standard, even though there are associations, correlations and causal connections. In contrast, if one takes a general view of the living standard as, say, pleasure, then the non-commensurability of different *types* of pleasure – discussed by such authors as Plato, Aristotle and John Stuart Mill – suggests a 'constitutive plurality' within this general view.¹ Constitutive plurality involves seeing the living standard primarily as a basket of multiple attributes, even though, secondarily that basket may quite possibly be given a

¹ This is discussed in Sen (1980-1). See also Gosling and Taylor (1982) and Nussbaum (1983-4).

numerical representation in the form of an index. Competitive plurality, on the other hand, is concerned with reflecting a choice over *alternative* baskets (each basket may have only one item *or* many). In facing diversities of outlook towards the standard of living, it is necessary to sort out the issues of competitive plurality from those of constitutive plurality.

In this first lecture I am concerned primarily with *competitive* plurality, and in particular with disputing the claims of certain traditional approaches to the standard of living. By the end of the lecture I would hope to have arrived at a moderate justification for an alternative approach. While these critical – and often negative – discussions will be concerned mainly with problems of 'choice' implicit in *competitive* plurality, issues of *constitutive* plurality will also be frequently involved, since some of the alternative approaches include pluralistic constructions of the concept of the living standard. In the second lecture I shall try to be more positive in exploring an alternative approach, which I have elsewhere called, in a related context, 'the capability approach' (Sen 1982, Sen 1984a; Essays 13, 14, 19, 20; Sen 1985a). The exploration and use of the capability approach will demand coming to grips with extensive constitutive plurality in seeing the living standard in the form of being able to achieve various personal conditions – to be able to do this or be that. It will also call for empirical illustrations to make sure that the approach can be sensibly and plausibly used in practical problems of living standard assessment.

OBJECTS AND STANDARDS

There are at least two basic questions in any evaluative exercise: (1) *What* are the objects of value? (2) *How* valuable are they? Strictly speaking, the first – what objects? – is an elementary aspect of the second – how valuable? The objects of value are those that will be positively valued when the valuational exercise is fully performed.²

² A few clarificatory points are called for here. First, an object may be one of value in a 'weak' sense, if it is potentially valuable, and actually valued in some cases but possibly not in all cases. When this weak formulation is used, the condition of 'dominance' (discussed later) would have to be correspondingly adapted. Second, an object that yields negative value can be made into an object of value through 'inversion', that is through treating it as an object of 'disvalue' and counting reduction rather than increase as an improvement. Third, if there is an object that is sometimes positively and sometimes negatively valued, there will arise a real

This may not, however, be the most helpful way of seeing the 'what' question. The more immediate sense of the question lies in the direct and intrinsic relevance of these objects in the assessment of the standard of living, and this relevance has to be distinguished from irrelevance on the one hand, and indirect or derivative relevance on the other.

To clarify the contrast, consider for the sake of illustration the general view of the standard of living as pleasure. This would indicate that pleasures of different types are the objects of value and that the standard of living consists of pleasures. Having a high income is not, then, an object of value in itself; nor is good health; nor the existence of a friendly bank manager who is ready to lend one money. These things may (indeed typically, will) influence one's standard of living, but that influence must work through some object of value — in this case, some type of pleasure. At the risk of oversimplification, it may be said that if an enhancement of some variable increases the standard of living, when everything else remains the same, then that variable is clearly an object of value in the evaluation of the standard of living.

Answering the 'what' question does take us some distance. We are able to say, for example, that if life style x has more of each of the objects of value than y has, then x involves a higher standard of living than y . The identification of objects of value yields a 'partial ordering', which can be characterised in different ways. Perhaps the simplest form is the following: if x has more of some object of value and no less of any than y , then x has a higher standard of living. I shall call this the 'dominance partial ordering'.

The dominance partial ordering is, of course, very familiar to economists in many contexts. In welfare economics it is employed to make *social* comparisons in terms of individual preferences or utilities, and it stands in that case for the so-called Pareto Principle: if someone has more utility in state x than in state y , and everyone has no less in x than in y , then x is socially better than y . That use of dominance reasoning is often thought to be uncontroversial, and

difficulty in pursuing the 'dominance' reasoning. In fact, the viability and usefulness of the distinction between identifying objects of value and the rest of the valuation exercise would be seriously compromised if such 'mixed' objects exist. This type of problem — and some others — are discussed in Sen (1975). But most 'mixed' cases tend to be *instrumentally* so (and not *intrinsically* valued positively in some cases and negatively in others). The problem may thus be avoidable, to a great extent, by going deeper. It is likely to be a more serious problem in the evaluation of 'opulence' than in evaluating 'functionings' and 'capabilities'.

indeed it would be so if the objects of value in deriving social rankings were exactly the set of individual utilities — no more and no less. Those of us who have disputed the uncontroversial nature of the Pareto Principle have done so on the basis of questioning its identification of value objects for social ranking (arguing that *non-utility* features may have intrinsic and direct relevance) (Sen 1970, 1977b, 1979a, 1979b). But the legitimacy of the 'dominance' reasoning itself has not been thus questioned. That particular controversy relates, of course, to the assessment of what is 'socially' appropriate, and not to the problem of the evaluation of the standard of living of a person or even of a group.

While the dominance partial ordering does take us some considerable distance, it is very unlikely that it would be adequate for making all the comparisons that we would want to make. When x has more of one object of value and y of another, then the dominance partial ordering will leave x and y unranked. To rank them the issue of the relative importance of the different objects has to be faced. What we then need are standards of comparison, giving us the relative forces exerted by the different objects of value in the valuation exercise. Dominance reasoning will need supplementation by reasoning that addresses the question of relative importance.

UTILITY, OBJECTS AND VALUATION METHODS

The utilitarian tradition provides a particular way of assessing the relative importance of different objects. Given the influence of this tradition in normative economics (through the works of such writers as Bentham, Mill, Jevons, Sidgwick, Edgeworth, Marshall and Pigou), it is not surprising that it is very often taken for granted that any evaluative concept in economics must be ultimately based on some notion or other of utility.³ The standard of living is not taken to be an exception to this rule.

There are, however, two quite different ways of seeing the standard of living in terms of utility, and they do seem to get a bit confused in the welfare economic literature. One is based on seeing utility as an object of value itself. As A. C. Pigou put it, 'the elements of welfare are states of consciousness and, perhaps, their relations' (1952:10). In this

³ For a powerful critique of this position, coming from one of the major figures in utility theory, see Hicks (1981). This consists of two extracts, respectively from *Essays in World Economics* (Oxford: Clarendon Press, 1959) and a paper read at Grenoble in 1961.

view, utility in the form of certain mental states is what is valuable, and indeed it is the only thing that is intrinsically valuable. The second view is to see utility as a valuational device which is used to evaluate *other* objects of value, for example goods possessed. As Pigou himself put it elsewhere, 'considering a single individual whose tastes are taken as fixed, we say that his dividend in period II is greater than in period I if the items that are added to it in period II are items he *wants more* than the items that are taken away from it in period II' (1952:51). Paul Samuelson puts the approach more succinctly: 'the real income of any person is said to be higher for batch of goods II than for I if II is higher up on his indifference or preference map' (1950:21).

It might be thought that if the indifference maps are based on utility totals then the two approaches must give the same rankings, and the valuation of goods by utility must coincide with the valuation of utility *per se*. But this is not so. Consider a person who ranks all commodity bundles in exactly the same way in periods I and II, in terms of utility, but gets more utility in period I from each bundle than in period II. In this case, it is quite possible for it to be the case that the utility value of bundle II is higher than that of bundle I in each period, and nevertheless the utility yield of bundle I actually enjoyed in period I is higher than the utility yield of bundle II actually enjoyed in period II. The respective utilities in descending order, then, may be the following, when $U_I(\cdot)$ and $U_{II}(\cdot)$ are the utility functions in the two periods, and x_I and x_{II} the respective commodity bundles:

$$\begin{aligned} U_I(x_{II}) \\ U_I(x_I) \\ U_{II}(x_{II}) \\ U_{II}(x_I) \end{aligned}$$

If utility is used to evaluate commodities, then x_{II} must be ranked higher than x_I . Given the fulfilment of Pigou's condition of 'fixed tastes' (in the form of an unchanged 'indifference or preference map'), the living standard (in the form of real income) has to be seen as higher in the second period than in the first. If, on the other hand, living standard in the form of economic welfare is seen as utility itself ('states of consciousness', as Pigou puts it), then clearly it is higher in the first period than in the second, since $U_I(x_I) > U_{II}(x_{II})$. Valuation of commodity bundles by the index of utility is not the same exercise as the comparison of utility totals themselves. It does make a difference as to whether utility is the object of value itself, or only used to evaluate other objects of value.

In assessing the claims of utilities in the evaluation of the standard of living, both the possible uses (as objects of value and as valuational methods) have to be considered. And this makes the task particularly exacting since there are also at least three quite different ways of defining utility, namely pleasure, desire fulfilment and choice. So there are really at least six different boxes to examine.

UTILITY AS PLEASURE AND HAPPINESS

I start with the view of utility as pleasure. That term is used in many different senses. Some uses characterise pleasure rather narrowly, like John Selden's cheerful diagnosis: 'Pleasure is nothing but the intermission of pain'; or Dr Samuel Johnson's identification of the horns of an alleged dilemma: 'Marriage has many pains, but celibacy has no pleasures'. At the other end is the tendency in parts of the utilitarian tradition to assume that anything that is *valued*, must be, for that reason, a generator of pleasure, and the extent of pleasure will reflect well the strength of the valuation.

The utilitarian view does seem rather unlikely, since valuation is a reflective exercise with a complex and unstraightforward linkage with pleasure. Nevertheless, it is a suitably broad view of pleasures that we must seek in order to give any kind of plausibility to the pleasure view of well-being and the living standard. Jeremy Bentham's championing of the felicific calculus certainly did take a very broad view. It is only in a very broad sense that pleasure can possibly be seen as something like 'happiness' (and provide the basis of Bentham's 'the greatest happiness principle'). Marshall's and Pigou's use of the term 'satisfaction' is equally broad (Marshall 1949: Book 3; Pigou 1952: Chapter 2).

It is arguable that to think of satisfaction or happiness or pleasure as some kind of a homogeneous magnitude is simply a mistake, and that at best we have here a vector with different components related to different types of mental state and different causal influences.⁴ But whether or not these different types of pleasure are seen as commensurable, there is no way of avoiding a broad-coverage view if the pleasure approach is to make a serious bid for being the basis of the living standard. The question is: even with a broad coverage, can this approach really make a *strong* bid?

It is quite easy to be persuaded that being happy is an achievement

⁴ See particularly Scitovsky (1976).

that is valuable, and that in evaluating the standard of living, happiness is an object of value (or a collection of objects of value, if happiness is seen in a plural form). The interesting question regarding this approach is not the legitimacy of taking happiness to be valuable, which is convincing enough, but its *exclusive* legitimacy. Consider a very deprived person who is poor, exploited, overworked and ill, but who has been made satisfied with his lot by social conditioning (through, say, religion, or political propaganda, or cultural pressure). Can we possibly believe that he is doing well just because he is happy and satisfied? Can the living standard of a person be high if the life that he or she leads is full of deprivation? The standard of life cannot be so detached from the nature of the life the person leads. As an object of value, happiness or pleasure (even with a broad coverage) cannot possibly make a serious claim to *exclusive* relevance.

This takes us to the other way of using utility – not as an object of value, but as a method of valuation. However, this type of use is particularly unsuitable for the interpretation of utility as pleasure or happiness. Having pleasure or being happy is not a valuational activity as such, nor tightly tied to valuational activities. There is nothing perplexing in the remark: 'I still value x , but I haven't got it, and have learnt to be happy and satisfied without it.' While there are obvious connections between valuational activities and mental states of happiness, they cannot be identified with each other; nor can they be seen to be tied so firmly to each other that one can reasonably serve as a surrogate for the other.

It is, of course, possible to pack more into the notion of happiness than common usage will allow, and to see some objective achievements as part of being 'really happy'. If one were somehow stuck with having to make do with the notion of happiness, and base all evaluation on happiness alone, then this type of extension might well form a sensible exercise. Indeed, it is not surprising that such enrichment would appeal particularly to the self-declared utilitarian who has signed away his freedom to use other concepts. But that is a rather specialised interest.

The exercise also has a certain amount of general intellectual interest, particularly since the breadth and richness of the Greek concept of *eudaimonia* may suggest similarly broad interpretations of happiness or pleasure.⁵ But in the present context there is not much

⁵ See Gosling and Taylor (1982) and Nussbaum (1985).

point in going in that direction, since other notions of value and valuation can be entertained in their own right without their having to be inducted into serious consideration through riding on the back of pleasure or happiness. There are many other avenues that are exploratory and deserve our direct attention. We have not signed away anything yet.

DESIRE AND CIRCUMSTANCES

What can we say about the interpretation of utility as desire fulfilment? While Pigou clearly did think that the importance of utility rests on satisfaction and not on desire, nevertheless he thought that strength of desire as reflected in demand will serve as good evidence for satisfaction. 'It is fair to suppose', he argued, 'that most commodities . . . will be desired with intensities proportioned to the satisfactions they are expected to yield' (1952:24).⁶ This connection played an important part in Pigou's analysis of the living standard and economic welfare, making it possible for him to see them in terms of both satisfaction and desire, taking 'economic' welfare . . . to consist in that group of satisfactions and dissatisfactions which can be brought into relation with a money measure' (1952:23).

But if satisfaction is rejected as the basis of valuation, for reasons already outlined (or indeed for any other reason), then Pigou's defence of the *derived* importance of desires cannot be sustained. There is, however, a long tradition of attaching importance to the fulfilment of desire as such (not derivatively because it relates to satisfaction). It is also true that as an activity, desiring has a valuational aspect, which Frank Ramsey, among others, has emphasised (Ramsey 1926). Is it possible to claim that the desire interpretation provides an adequate valuational method (Hare 1981; Griffin 1982)? This claim has to be examined.

The relationship between valuing and desiring is a complex one.⁷ Desiring may link closely with valuation, but it is not in itself a valuational activity. It is a plausible and frequent *consequence* of valuation, but desiring and valuing are not the same thing. There is nothing contradictory in asserting that one does not value something

⁶ Pigou went on to discuss 'one very important exception' to 'this general conclusion', and this was concerned with *future* satisfactions given that 'our telescopic faculty is defective' (1952:25).

⁷ I have discussed this and some related issues in Sen (1985b).

even though one desires it, or one does not value it as strongly as one's desire. Indeed, it would be baffling to identify the two, and say, for example: 'I must be valuing x highly since I desire x strongly.' If there is a link between desiring and valuing, it is certainly not one of identity.

Could it be that desiring is a *source* of value? This view may have some superficial attraction, but it is hard to see the relation between desiring and valuing in exactly that way. It is more perplexing to argue, 'I value x because I desire it', than to say the opposite, 'I desire x because I value it'. Valuing something is indeed an excellent ground for desiring it, and seen in this light, desiring is a natural consequence of valuing. It would be remarkable to turn this relationship on its head and see valuing as a consequence of desiring. 'Why do you value x ?' she asks. I reply triumphantly, 'You see, it is because I desire it!' This would, of course, be a good way of earning a reputation for inscrutability, but not a particularly effective way of answering the question asked. There are, of course, some activities for which desiring is an important part of the activity itself (e.g., satisfying curiosity or making love), and in these cases desire must have an integral role in the process of valuation. But desire can scarcely be an adequate basis of valuation, in general.⁸

In fact, desiring plays a strategic role in making our wants credible and our aspirations viable. The importance of this aspect of the activity of desiring comes out sharply when *interpersonal* comparisons of desires are considered. It is not only that a poor person can offer less money for what he or she desires compared with a rich person, but also that even the strength of the mental force of desiring is influenced by the contingency of circumstances. The defeated and the down-trodden come to lack the courage to desire things that others more favourably treated by society desire with easy confidence. The absence of desire for things beyond one's means may not reflect any deficiency of valuing, but only an absence of hope, and a fear of

⁸ The picture may look a little different in third-person contexts. The desire of *others* may be a good ground for us to value its fulfilment. This can be because *we value* that they get what *they value*, and their desire may tell us something about what they do value. (This *evidential* role is discussed later.) Or it can be that we value their happiness and know that desire fulfilment is conducive to happiness (and frustration a cause of suffering). One important difference between the first- and third-person cases lies in the fact that we have some responsibility for what we desire (and the need to relate it to what we value), whereas we have no such direct responsibility for the desire of others.

inevitable disappointment. The underdog comes to terms with social inequalities by bringing desires in line with feasibilities. The metric of desire does not, therefore, have much fairness; nor can it reflect the strength of valuations, especially what a person would value on serious and fearless reflection.

What is certainly easy to accept is that desire information has evidential value, in some contexts, in telling us about what a person does or does not value. This indeed is not without its use, and desires of *others* may even, for this evidential reason, provide a ground for support. But the jump from there to treating the strength of desire as the basis of valuation is a long and precarious one. The defects are particularly glaring in making *interpersonal* comparisons of well-being or of the standard of living. The point is not that interpersonal comparisons of desires cannot be scientifically made (as Lionel Robbins (1938) seems to have thought), but that they do not give us much help in making interpersonal comparisons of well-being or of living standard. The issue is *not* impossibility, but distortion.

As an object of value, desire fulfilment is, for reasons already discussed, very limited, if it is such an object at all. In assessing the well-being and the standard of living of a person, happiness may have direct relevance, and it is plausibly seen as one among various objects of value (as was discussed earlier). But the value of desire has to be assessed, and a person's desire for something he or she does not value correspondingly, and would not do so even on further reflection, may not be a good ground for counting it in the evaluation of that person's well-being or living standard (see Sen 1974, Broome 1978, Majumdar 1980, Pattanaik 1980, Winston 1980, Hollis 1981, van der Veen 1981, Goodin 1982, Hirschman 1982, McPherson 1982, Akerlof 1983, Elster 1983 and Schelling 1984).

It is also clear that the fulfilment of a person's desires may or may not be indicative of a high level of well-being or of living standard. The battered slave, the broken unemployed, the hopeless destitute, the tamed housewife, may have the courage to desire little, but the fulfilment of those disciplined desires is not a sign of great success and cannot be treated in the same way as the fulfilment of the confident and demanding desires of the better placed.

Desire fulfilment cannot, therefore, be the sole object of value (if it is an object of value at all), and as a valuational method it is very defective. The desire interpretation of utility may indeed be able to make stronger claims to providing a valuational method than the

pleasure interpretation can (since desiring relates to valuing as an activity more immediately than having pleasure does), but these claims are not very strong either. Desiring is neither the same as valuing, nor is it a source of value in itself, nor a good indicator of what is (or should be) valued. Its valuational role is thus highly contingent and limited.⁹

CHOICE AND VALUATION

What about the third interpretation of utility—in terms of choice? The milder version of this approach, involving only 'ordinal' comparisons, claims that if you choose x when y is available, then x has higher utility for you than y . Stronger versions derive 'cardinal' measures of utility from choice involving more demanding behaviour patterns (e.g., over lotteries). Choice behaviour is, of course, of much interest on its own. But as an interpretation of well-being, the binary relation underlying choice is very strained.¹⁰ It confounds choosing with benefiting, and it does this by what looks like a definitional trick. The popularity of this view in economics may be due to a mixture of an obsessive concern with observability and a peculiar belief that choice (in particular, market choice) is the only human aspect that can be observed.

Choice is obviously a very different type of activity from valuation, and in so far as it has a connection with valuation, this must partly arise from choice being a *reflection* of desire. Thus, much of what was said about the desire interpretation of utility will apply here too, except, perhaps, the point about the bias of the desire interpretation against the unflavoured underdog in making *interpersonal* comparisons based on desire *intensities*. In fact, the choice interpretation does not immediately yield any practical method of interpersonal comparison whatever. Each person makes his or her own choices, and interpersonal comparisons of utility cannot come out of the observation of actual choices of different individuals. It is possible to extend this approach to imaginary choices, for example 'Would you

rather be person i or person j given the choice?', and such a format has been elegantly used by Vickrey, Harsanyi and others to derive some kind of interpersonal comparisons (Vickrey 1945, Harsanyi 1955).¹² But the relevance of such counterfactual choices is not clear, and the answers are difficult to interpret and build on. The choice interpretation is generally quite a strained one anyway, and it gets completely out of breath when trying to scale the heights of interpersonal comparisons.

There is a further difficulty with the choice interpretation. What you choose must depend on your motivation. While the pursuit of one's own well-being is a good enough motivation, it is not of course the only possible one. If you do something for national pride, the impact on your well-being may be quite secondary and derivative, with the main force behind your choice relating to something else. Under these circumstances, to treat choice as a reflector of your well-being is surely to overlook the motivational complexity of choice behaviour.

To some extent the same problem arises with the desire interpretation also, since you may desire to do something not because it is particularly good for you, but for some other reason. It is, of course, quite plausible to believe that a failure to achieve what one would choose, or to get what one desires, is likely to affect the value of one's well-being adversely. Disappointment, frustration, and suffering from a sense of failure may well reduce a person's well-being, no matter what he aims to achieve. But it is hard to be persuaded that the impact on the person's well-being is well reflected by the intensity of the desire or the metric of choice, since the basic motivation is not avoidance of disappointment or frustration, but something else like national glory or some social or political ideal.

We must conclude that none of the interpretations of utility (pleasure, desire fulfillment, choice) takes us very far in pinning down well-being or the living standard, and the failure applies both to seeing them as objects of value and to taking them to be valuational methods. They do, of course, have connections with well-being and

⁹ These questions have been further discussed in Sen (1985b).

¹⁰ This issue is discussed in Sen (1977a). There may not, of course, be such a binary relation if the choice function proves to be 'non-binary'. But the deeper problem concerns the *interpretation* of the binary relation *even when* the choice function may be binary.

¹¹ See Broome (1978).

¹² See also Suppes (1966) and Arrow (1963:114–15). Though the Suppes–Arrow analyses can be interpreted in a 'choice' framework for utility, there is no necessity to do so, and the formal analysis is, in fact, consistent with each interpretation of utility. Furthermore, much of it is extendible also to non-utility interpretations of well-being (including those of 'the capability approach', to be investigated here).

living standard, enough to give some superficial plausibility to the utility-based ways of seeing the standard of living. Happiness clearly is an *object of value* in the living standard (though by no means the only one), and desire and choice do have some evidential importance in giving information on valuation (though with ambiguities and systematic biases). Utility and living standard *are* related, but they are second cousins rather than siblings.

OPULENCE, COMMODITIES, FUNCTIONINGS AND CAPABILITIES

The failure of utility to get very far, and the role of 'subjectivism' in this failure, may well push us in the direction of more objective considerations. In that context, the advantages of seeing living standard in terms of commodity possession and opulence might appear to be serious enough. Indeed, that is the way 'real income' is typically viewed, and the link between real income and living standard must be fairly close. As it happens, even Pigou argued that in determining 'a national minimum standard of real income' below which people should not have to fall, 'it must be conceived, not as a subjective minimum of satisfaction, but as an objective minimum of conditions'. He then proceeded to characterise this minimum in terms of commodity possessions: 'The minimum includes some defined quantity and quality of house accommodation, of medical care, of education, of food, of leisure, of the apparatus of sanitary convenience and safety where work is carried on, and so on.'¹³

Pigou did, in fact, go on to discuss the plausibility of the promotion of utility, in the form of 'economic welfare', by the establishment of some 'minimum standard', and to enquire 'by *what* minimum standard it will be promoted most effectively'. Thus the 'objective' approach of minimum real income was meant to have been ultimately based on the pursuit of utility. But Pigou did not go very far along that line. He abandoned the linking exercise on the respectable and comforting (if somewhat puzzling) ground that to pursue that exercise 'it would be necessary to obtain and to analyse a mass of detailed information, much of which is not, in present circumstances, accessible to students' (1952:76).

If we are to move in the objectivist direction, is this the right way to go? There cannot be much doubt that the list of minimum requirements Pigou (1952:759), Cooler and Rappoport (1984) have recently discussed the 'material welfare' basis of the work of many traditional utilitarian economists.

ments presented by Pigou has a good deal of immediate plausibility and, more generally, it does seem sensible to be concerned with the possession of vitally important commodities in understanding the living standard. Indeed, it is easy to argue that it is more plausible to identify someone as having a low standard of living on the ground that he or she is deprived of decent housing, or adequate food, or basic medical care, than on the ground that he or she is simply unhappy or frustrated. As a direction to go, concentration on the possession of vital commodities seems fair enough.¹⁴

The more exacting question is not whether this is the right direction to go, but whether taking stock of commodity possession is the right place to stop. Opulence in the form of commodity possession is undoubtedly important in enhancing the standard of living, but is the standard of living best seen as opulence *itself*? Earlier on in this lecture a distinction was made between being 'well off' and being 'well', and it is reasonable to argue that while well-being is related to being well off, they are not the same and may possibly diverge a good deal.¹⁵

The distinction needs to be further probed. Consider two persons *A* and *B*. Both are quite poor, but *B* is poorer. *A* has a higher income and succeeds in particular in buying more food and consuming more of it. But *A* also has a higher metabolic rate and some parasitic disease, so that despite his higher food consumption, he is in fact more undernourished and debilitated than *B* is. Now the question: Who has the higher standard of living of the two? It is not, I believe, a \$64,000 question (or, if it is, then money is easy to earn). *A* may be richer or

¹⁴ When discussing socially widespread deprivation (e.g. famines), focusing on entitlement failures (in particular, failures in the ability to command food on the part of large sections of the population) may provide an adequate starting point of analysis, and may provide a simple contrast with more aggregative and supply-centred analyses of such phenomena (e.g. in terms of a decline of total food availability). The advantages of the entitlement focus have been discussed elsewhere (see, for example, Sen 1981 and Tilly 1983). But as a view of the living standard as such, concentration on entitlements is rather crude and rough, the merits of that approach being relevant in a different context, for example in providing an understanding of the causation of famines.

¹⁵ One interesting case of divergence may relate to the well-known controversy on the impact of early industrialisation on the standard of living of the British working class. It appears that in the period 1780–1820, the death rate fell quite steadily, while measures of the opulence of the British working class showed little rise, whereas during 1820–40, as opulence did seem to increase a little, the fall of the death rate was halted and reversed. For a lucid account of this controversy (including the contrary movements), see Deane (1969: Chapter 15). On the main lines of the controversy, see also Hobsbawm (1957), Hartwell (1961), and Hartwell and Hobsbawm (1963).

more opulent, but it cannot really be said that he has the higher standard of living of the two, since he is quite clearly more undernourished and more debilitated. The standard of living is not a standard of opulence, even though it is *inter alia* influenced by opulence. It must be directly a matter of the life one leads rather than of the resources and means one has to lead a life. The movement in the objectivist direction away from utility may be right, but opulence is not the right place to settle down.

The variation of nourishment *vis-à-vis* food intake is influenced by a variety of physiological, medical, climatic and social factors. To reach the same level of nutrition as another, one needs a larger command over food if one has a higher metabolic rate (or a larger body frame), or if one is pregnant (or breast-feeding), or if one has a disease that makes absorption more difficult, or if one lives in a colder climate, or if one has to toil a lot, or if food has other uses (such as for entertainment, ceremonies or festivals). Pigou's move in the direction of food possession was clearly right, but the concern is not so much with food as such but with the type of life one succeeds in living with the help of food and other commodities, for example whether one can be well nourished, whether one has the ability to entertain, and so on.

The same applies to other types of commodity and other functionings – or living conditions – that are helped by these commodities. While Marx's (1887) attack on 'commodity fetishism' was made in a rather different context, that attack is deeply relevant to the concept of the standard of living as well. The market values commodities, and our success in the material world is often judged by our opulence; but despite that, commodities are no more than means to other ends. Ultimately, the focus has to be on what life we lead and what we can or cannot do, can or cannot be. I have elsewhere called the various living conditions we can or cannot achieve, our 'functionings', and our ability to achieve them, our 'capabilities' (Sen 1984a: Introduction and Chapters 13–20). The main point here is that the standard of living is really a matter of functionings and capabilities, and not a matter directly of opulence, commodities or utilities.

This approach goes back not only to Marx, but also to Adam Smith. In fact, despite the frequent claim that Adam Smith was mainly concerned with 'wealth maximisation', there is much evidence that he was deeply concerned with avoiding concentration on commodities (and wealth) as such, and keen on escaping the fetishism

of which Marx spoke later.¹⁶ In fact, Adam Smith went well beyond the standard characterisations of living conditions and considered such functionings as not being 'ashamed to appear in public', and analysed how the commodity requirements for this achievement – clothing, shoes, etc. – varied with social customs and cultural norms (Smith 1910:351–3). These customs and norms are, in their turn, influenced by the economic conditions of the respective societies. In analysing these relationships, Adam Smith not only distanced his own approach from commodity fetishism and wealth maximisation, but also showed the social nature of these relationships between commodities (and opulence), on the one hand, and capabilities (and achievements of living conditions), on the other. The same capability of being able to appear in public without shame has variable demands on commodities and wealth, depending on the nature of the society in which one lives.

THE RELATIVE AND THE ABSOLUTE

I shall explore further the capability approach to the standard of living in the second lecture. I end this mainly negative discussion by a few remarks on international variations in what is taken to be poverty, and the use of minimum living standards for the identification of the poor. There has been a lively debate on the relative nature of the standards of poverty and the need to revise upwards the cut-off line as we go up the ladder of general opulence. Some have tried to give this variation a fairly simple and direct form. For example, Peter Townsend has argued: 'Lacking an alternative criterion, the best assumption would be to relate sufficiency to the average rise (or fall) in real incomes' (Townsend 1979a, 1979b; see also Fiegehen, Lansley and Smith 1977, Beckerman and Clark 1982, Townsend 1985 and Sen 1985c). Others have seen in such relatively a confounding of poverty and inequality, arguing that poverty would then appear to be pretty much impossible to eliminate. If the poverty line is fixed entirely relatively to the 'average' income, there are always some who are relatively poor.¹⁷ Still others have gone on to seek

¹⁶ On two different views on the approach of 'wealth maximisation', see Posner (1972) and Dworkin (1980).

¹⁷ This is not, strictly speaking, correct. Even if the poverty line is defined entirely relatively to the mean income or the median income (say, 60% of it), it is still possible for poverty to be eliminated, though that would depend on the elimination of a type of inequality. If, on the other hand, the 'poor' are defined as those in, say, the bottom decile of the population, then poverty will obviously not be eliminable.

peculiar psychological explanations for the popularity of the relativist view. For example, Dr Rhodes Boyson, as Minister of Social Security, had the following to say in Parliament recently: 'Those on the poverty line in the United States earn more than 50 times the average income of someone in India. That is what relative poverty is all about . . . Apparently, the more people earn, the more they believe poverty exists, presumably so that they can be pleased about the fact that it is not themselves who are poor.'¹⁸

The mystification involved in this extraordinary speculation can be substantially eliminated if we see the standard of living in terms of functionings and capabilities. Some capabilities, such as being well nourished, may have more or less similar demands on commodities (such as food and health services) irrespective of the average opulence of the community in which the person lives. Other capabilities, such as the ones with which Adam Smith was particularly concerned, have commodity demands that vary a good deal with average opulence. To lead a life without shame, to be able to visit and entertain one's friends, to keep track of what is going on and what others are talking about, and so on, requires a more expensive bundle of goods and services in a society that is generally richer, and in which most people have, say, means of transport, affluent clothing, radios or television sets, etc. Thus, some of the same capabilities (relevant for a 'minimum' level of living) require more real income and opulence in the form of commodity possession in a richer society than in poorer ones. The same absolute levels of capabilities may thus have a greater relative need for incomes (and commodities). There is thus no mystery in the necessity of having a 'relativist' view on the space of incomes even when poverty is defined in terms of the same *absolute* levels of basic capabilities. Rhodes Boyson's far-fetched psychological explanation is completely redundant.

There are, of course, other variations as well in the comparative picture. Sometimes the same goods may cost relatively more, in terms of exchange rates of currencies, in the richer countries than in the poorer ones, as has been well discussed by Dan Usher (1968). Also, the level of *capabilities* that are accepted as 'minimum' may themselves be upwardly revised as the society becomes richer and more and more people achieve levels of capabilities not previously reached by many (Sen 1981: Chapters 2, 3; see also Hobsbawm 1968 and Wedderburn

¹⁸ Hansard, 28 June 1984. These and other views on poverty are critically discussed by Mack and Lansley (1985).

1974). These variations add further to the need for more income in the richer countries to avoid what is seen as poverty in terms of 'contemporary standards'.

There is no great difficulty in sorting out the different elements in the relativity of the poverty line in the space of incomes (and that of commodities) once the conception of the standard of living is given an adequate formulation in terms of capabilities. A difficult, but central, issue in studying poverty is the concept of the standard of living itself.¹⁹

PLURALITY AND ASSESSMENT

I began this lecture by making a distinction between 'competitive plurality' and 'constitutive plurality'. Much of this lecture has been concerned with sorting out some substantive issues of *competitive* plurality in the idea of the standard of living. In trying to develop a particular way of seeing the standard of living, critical – and frequently negative – positions have been taken regarding the relevance and adequacy of competing claimants – opulence, happiness, desire fulfillment, choice. However, while arguing for the rejection of these other views of the living standard, I have also tried to clarify and explore both their correlative associations and their causal connections with the living standard.

The role of functionings and capabilities in the concept of the living standard will be further analysed and examined in the second lecture. Since there are many types of functionings and capabilities, the question of *constitutive* plurality is particularly important and challenging in this context.²⁰ Though the capability approach does not lead to one particular theory of valuation (but defines instead a class of such theories within a general motivational structure), nevertheless the principles underlying the valuation will require close investigation and scrutiny. That is one of the tasks for the second lecture.

¹⁹ This is discussed in Sen (1983a).

²⁰ This constitutive plurality, related to *personal* living standard, will need supplementation by problems of constitutive plurality involved in social aggregation, when the focus is on *social* living standard. The latter question is discussed in Sen (1976a, 1976b). While these aggregation problems are defined there in the spaces of incomes and commodity holdings, they can be correspondingly reformulated in the spaces of functionings and capabilities as well.

The Standard of Living: Lecture II, Lives and Capabilities

There are two major challenges in developing an appropriate approach to the evaluation of the standard of living. First, it must meet the motivation that makes us interested in the concept of the living standard, doing justice to the richness of the idea. It is an idea with far-reaching relevance, and we cannot just redefine it in some convenient but arbitrary way. Second, the approach must nevertheless be practical in the sense of being usable for actual assessments of the living standard. This imposes restrictions on the kinds of information that can be required and the techniques of evaluation that may be used.

These two considerations – relevance and usability – pull us, to some extent, in different directions. Relevance may demand that we take on board the inherent complexities of the idea of the living standard as fully as possible, whereas usability may suggest that we try to shun complexities if we reasonably can. Relevance wants us to be ambitious; usability urges restraint. This is, of course, a rather common conflict in economics, and while we have to face the conflict squarely, we must not make heavy weather of it.

MEASUREMENT AND MOTIVATION

In fact, that conflict was well understood by the pioneers of the subject. It is fair to say that the discipline of statistical measurement of the living standard began with Sir William Petty and his book *Political Arithmetick*, written around 1676, but published posthumously in 1691. Petty's interests were wide. He was Professor of Anatomy at Oxford and Professor of Music at Gresham College. He invented the 'double-bottomed' ship, which alas was lost in a storm.

He restored to life a woman who had been hanged for infanticide, which gave Petty some undeserved notoriety. He presented his *Political Arithmetick* to Charles II, but it was judged to be too offensive to France to be published then.

The motivation for Petty's national income estimation was clearly a better understanding of the condition of life of the people. 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'. His view of the condition of people was broad enough to include 'the Common Safety' and 'each Man's particular Happiness'.¹ But he was also realistic enough about measurement problems to concentrate almost exclusively on opulence when it came to estimation. The national income, as an index of opulence, was estimated with the use of both the 'income method' and the 'expenditure method', in somewhat rudimentary forms.

In fact, Petty was dead keen on the importance of accurate measurements. He was a great quantifier and very doubtful about what he called 'intellectual Arguments'. He declared proudly that 'instead of using only comparative and superlative words, and intellectual Arguments', he would choose to express himself 'in Terms of Number, Weight, or Measure'. As one of the first members of the Royal Society, he had argued strongly against vague generalisations, and in an eloquent statement that would, I suppose, warm the hearts of some of the purer quantitative economists of today, Petty suggested that in discussions in the Royal Society 'no word might be used but what marks either number, weight, or measure'.² Perhaps the miserable practitioner of 'intellectual Arguments' might be tempted to claim that Petty's suggestion had a modest weight, a minute measure and a wee number.

But Petty was, of course, quite right to keep the measurement issue firmly in view in his studies of the national income and living standard. He combined a clear account of the motivation for the measurement (related to living conditions and happiness) with opting for the tangible and the tractable in his totting-up. That focus on quantification was retained by the stalwarts that followed him, including Gregory King, François Quesnay, Antoine Lavoisier, Joseph Louis Lagrange, and others. Lavoisier was, in his own way, as

¹ These and other quotations below come from C. H. Hull's edition of Petty's writings (Hull 1899:313).

² See Hull (1899:ixiv).

uncompromising as Petty in insisting on quantification. The lack of quantification, he thought, was what ailed political economy: 'This science like many others began with metaphysical discussions: its theory has advanced; but its practice is still in its infancy, and the statesman lacks at all times the facts on which to base his speculations'.³ He also had great confidence that national income analysis and quantitative studies of the living standard would settle all disputes in political economy and indeed make that subject redundant: 'A work of this nature will contain in a few pages the whole science of political economy; or, rather, it would do away with the further need for this science; because the results will become so clear, so palpable, the different questions that could be raised would be so easily solved, that there would no longer be any difference of opinion'.⁴

Lagrange, sticking in his turn to dedicated quantification, introduced an innovation the import of which can be fully understood only with very recent developments in the analysis of consumption in terms of 'characteristics', due to Gorman (1956) and Lancaster (1966). Lagrange converted goods that had similar roles in consumption into equivalents of each other in terms of their characteristics. In particular, he converted vegetal foods into units of wheat in terms of nourishment value, all meat into equivalents of beef, and as a good Frenchman, all beverages into units of wine.

No less importantly, Lagrange took note of the different needs for different nutrients by different groups of consumer, needs which he related to occupation, location and the like, and specified for different groups different ratios of vegetable and meat requirements.⁵ What is particularly interesting in the context of the issues discussed in my last lecture, Lagrange was not only reducing commodities into characteristics, but also assessing – albeit rather crudely – the value of the commodities in terms of what it did to the lives of the people consuming them. Whereas Adam Smith was the pioneer in showing the varying relation between opulence and achievements of social functionings (as was discussed in the first lecture), the mathematician Lagrange, who was Smith's contemporary, played a similarly pio-

neering role in pursuing the variability of *physical* functionings *vis-à-vis* food intakes, depending on activities, locations, and the like. If the perspective of functionings and capabilities has been neglected in the literature on real income and living standard, the reason for this cannot be found in the absence of early initiatives in that direction.⁶

In general, Lagrange also thought that food statistics gave a better idea of a country's well-being and poverty than a more comprehensive measure of national income, and he concentrated his efforts on getting the food picture as accurate and exhaustive as possible, including such items as fruits and garden vegetables, which had been neglected by Lavoisier and others. The motivational basis of real income estimation was thus strengthened and refined by Lagrange in a direction that is particularly important for studies of the living conditions of the poor.

The statistical format of national income has been developed a good deal since the days of Petty, King, Lavoisier and Lagrange, and a great many complexities have been handled with ingenuity and skill.⁷ National income accounting does, of course, have to play quite a variety of roles in economic analysis, going well beyond its relevance to living standard and involving such matters as macro-economic investigations of output and activity, studies of saving, investment and growth, examination of productivity and efficiency, and so on. It is, therefore, not surprising that the links with the assessment of the standard of living are often relatively remote.

In fact, it is obvious enough that in order to pursue the notion of the living standard as such, we have to rely also on other types of statistics in addition to whatever we get from national accounting.⁸ There are two distinct reasons for this. First, as was argued in the first lecture, the living standard is not just a matter of opulence, even though there

⁶ In a general sense, the perspective of 'functionings' in assessing social arrangements can, in fact, be traced much further back, at least to Aristotle (see his *Politics*, and *Nicomachean Ethics*). I am grateful to Martha Nussbaum for drawing my attention to the existence and importance of this Aristotelian connection.

⁷ For a taste of various types of problem faced and solutions proposed, see Meade and Stone (1957), Samuelson and Swamy (1974) and Hicks (1981). See also Kuznets (1966), Hicks (1971) and Kravis, Heston and Summers (1978).

⁸ Examples of illuminating use of data regarding physical stature for historical analysis of the living standard can be found in a number of recent contributions, for example Floud and Wachter (1982), and Fogel, Engerman and Trussell (1982). The use of data on physical stature for the assessment of contemporary undernourishment and the living standard can also be found in several empirical studies. Examples of its application in India include, *inter alia*, Gopalan (1984), Sen and Sengupta (1983), and UNICEF (1984).

³ *Oeuvres de Lavoisier* (Paris, 1893), Vol. 6, 404–5; English translation from Studenski (1958; Part I, 70).

⁴ *Oeuvres* (1893), Vol. 6, 415–16; English translation from Studenski (1958; Part I, 71).

⁵ See E. Daire and de Molinari, *Mélanges d'économie politique* (Paris, 1847) and C. Ganilh, *La Théorie de l'économie politique* (Paris, 1815), discussed by Studenski (1958; Part I, 75–6).

are causal connections. Second, the particular way of characterising opulence that would be most suitable for living standard analysis through causal and other associations may not be the most useful for the other purposes which national accounting also has to cater for. There is a need for more specialised accounting when investigating the living standard.

NEEDS, INDICATORS AND FOUNDATIONAL QUESTIONS

Such specialised accounting has, in fact, been much encouraged in recent years by the emergence of the so-called 'basic needs' approach and by the work done by writers on 'social indicators'.⁹ These developments have tended to emphasise the importance of those features of the economy that relate closely to the fulfilment of what have been seen as the 'basic needs' of the people, paying attention also to aspects of social achievements that go well beyond the growth of GNP only. These developments can, to some extent, be seen as something of a return to the original motivation that led the pioneers to develop national income measures, for, as we have seen, they too were much influenced by the need to investigate the basis of good living conditions.

From the perspective of functionings and capabilities, these developments are moves in the right direction. It is, of course, true that 'basic needs' are typically formulated in terms of *commodity possession* (rather than functioning achievements) and that social indicators include a great many indices that have little to do with the functionings and capabilities of the people in question. But the net impact of the emergence of these approaches has been to draw attention, in an immediate and powerful way, to the importance of the type of life that people are able to lead.

An emphasis on basic needs can, of course, be justified in many different ways, and the 'basic needs' approach does not go much into this foundational aspect of the problem. The items in Pigou's list of a 'national minimum standard of real income' (Pigou 1952: Part IV, 758-67), discussed in the last lecture (including minimum accommodation, food, medical care, education, etc.), are clearly specifications

⁹ The literature is by now quite vast. For some of the arguments and examples of basic needs and social indicators, see Adelman and Morris (1973), Sen (1973), Streeten and Burki (1978), Grant (1978), Morris (1979), Chichilnisky (1980), Streeten *et al.* (1981) and Wells (1983).

of basic needs, done much before the alleged birth of the basic needs approach. Any practical analysis of the living standard must pay some attention to these features, no matter what the ultimate justification for the attention is. In Pigou's case, the ultimate justification was utility, even though – as was discussed in the first lecture – Pigou stopped short of providing the connecting analysis.

The strategic relevance of basic needs is not a controversial matter. What is open to debate and disputation is the *foundation* of this concern. Are basic needs important *because and only because* their fulfilment contributes to utility? If not, *why* are they important? Closely related to this question of justification is the issue of the *form* in which basic needs have to be seen. Are they best seen in terms of *commodities* that people may be reasonably expected to possess (typically the chosen form in the basic needs literature)? This would relate nicely to some extended sense of opulence and to a justification in terms of the value of popular opulence. But is that justification easy to accept? Why should we be concerned – not just strategically but fundamentally – with opulence, rather than with what people succeed in doing or being? And if it is accepted that the concern is basically with the kind of lives people do lead or can lead, then this must suggest that the 'basic needs' should be formulated in line with functionings and capabilities. If they are, for some reason, stated in the form of commodity requirements, the derivative and contingent nature of that formulation must be given adequate recognition. If the objects of value are functionings and capabilities, then the so-called 'basic' needs in the form of commodity requirements are *instrumentally* (rather than intrinsically) important. The main issue is the goodness of the life that one can lead. The need of commodities for any specified achievement of living conditions may vary greatly with various physiological, social, cultural and other contingent features, as was discussed in the first lecture.¹⁰ The value of the living standard lies in the living, and not in the possessing of commodities, which has derivative and varying relevance.

The purpose of making these distinctions is not to chastise the 'basic needs approach', which has in fact played a positive part in challenging the overemphasis on GNP and economic growth. But it is a mistake to see it as a deeply founded approach. It needs support, and this support can come from various quarters, including from utility

¹⁰ For an interesting study of the relevance of variations of needs in perceptions of distributive justice, see Yaari and Bar-Hillel (1984:8-12).

(as argued by Pigou), or from the value of functionalities and capabilities (as argued here). The typical formulation of basic needs in terms of commodity requirements is a specification in terms of required opulence, and like opulence in general, these so-called 'basic needs' belong to an *intermediate* stage of the analysis. So long as we understand this role (and recognise the necessity of the parametric variability of commodity-based 'basic needs'), we can appreciate the usefulness of the basic needs approach without losing sight of deeper questions.

LIVING STANDARD AND WELL-BEING

I have so far not discussed explicitly the distinction between the concept of well-being and that of the standard of living, and that issue should now be faced before proceeding further. Well-being is the broader and more inclusive of the two related notions. Pigou tried to draw a distinction between 'economic welfare' and 'total welfare', defining the former as 'that part of social welfare that can be brought directly or indirectly into relation with the measuring-rod of money' (1952:11). His distinction is ambiguous and rather unhelpful, and it may not serve the purpose for which Pigou devised it. In fact, some of the obviously 'non-economic' aspects of well-being may also, in some sense, be brought directly or indirectly into relation with the measuring-rod of money, for example through such 'vulgar' questions as: how much would you be willing to pay to be loved by your granddaughter? These payments may not actually be made, but nor are some obviously 'economic' ones (e.g., how much would you pay to eliminate urban air pollution that adds to the cost of keeping your house clean?). The interpretation of the information content of answers to these questions is deeply problematic. Similarly, other payments that happen to be actually made may not be geared to one's own well-being at all, and thus not figure in one's 'economic well-being', for example donations made to OXFAM for famine relief possibly without any direct or indirect benefit to oneself. While it is easy to be sympathetic to the reasons that prompted Pigou to make the distinction between 'economic welfare' and 'total welfare', the nature of that distinction is confusing and its usability quite limited. One way of amending Pigou's distinction in line with his evident motivation is to separate out 'material' functionalities and capabilities (e.g., to be well-nourished) from others (e.g., being wise and

contented). I have tried to argue elsewhere (Sen 1984b) that this may well be a good way to proceed, but I am less sure of this now. Being psychologically well-adjusted may not be a 'material' functioning, but it is hard to claim that that achievement is of no intrinsic importance to one's standard of living. In fact, any achievement that is rooted in the life that one oneself leads (or can lead), rather than arising from other objectives, does have a claim to being directly relevant to one's standard of living. It is possible that this way of drawing the line is a little too permissive, but the alternatives that have been proposed seem clearly too narrow. For example, the 'economic test' of whether a deprivation can be eradicated by more affluence is tempting enough, but it is hard to claim that the standard of living of a person dying of an incurable disease (not remediable by affluence) is not directly reduced by that particular predicament. The living standard may, often enough, be influenceable by economic means, but that is more plausibly seen not as the basis of a sound *definition* of the standard of living, but as an important *empirical* statement about the typical relationship between economic means and the living standard.

If the line of distinction proposed here is accepted, then the contrast between a person's well-being and living standard must arise from possible influences on personal well-being coming from sources other than the nature of one's life. For example, one's misery at the sorrow of another certainly does reduce *ceteris paribus* one's well-being, but in itself this is not a reduction in the person's living standard. This contrast has featured in practical discussions for a very long time. For example, in the third century BC, Emperor Asoka notes the distinction clearly enough in one of his 'rock edicts' in the context of clarifying the idea of an injury being done to a person: 'And, if misfortune befalls the friends, acquaintances, companions and relations of persons who are full of affection [towards the former], even though they are themselves well provided for, [this misfortune] is also an injury to their own selves' (Rock Edict XIII at Erragudi, Statement VII; see Sircar 1979:34). One's well-being may be affected through various influences, and it is the assessment of the nature of the life the person himself leads that forms the exercise of evaluation of the living standard.

It may be useful to see the distinction in the context of another contrast, to wit that between a person's overall achievements (whatever he wishes to achieve as an 'agent'), and his personal well-being (elaborated in my Dewey lectures (Sen 1985b)). Three different

notions may be distinguished: (1) agency achievement, (2) personal well-being, and (3) the standard of living.¹¹ The distinction between agency achievement and personal well-being arises from the fact that a person may have objectives other than personal well-being. If, for example, a person fights successfully for a cause, making great personal sacrifice (even perhaps giving his or her life for it), then this may be a big agency achievement without being a corresponding achievement of personal well-being. In the second distinction, namely that between well-being and the living standard, we are restricted in both cases to looking at achievements of personal well-being only, but whereas for well-being *tout court* there is no further qualification as to whether the achievement relates to the nature of the person's life, the notion of the standard of living does include exactly that qualification.

In an earlier paper (Sen 1977a) a distinction was made between 'sympathy' and 'commitment' in the context of analysing motivations for action. In helping another person, the reduction of the other's misery may have the net effect of making one feel – and indeed be – better off. This is a case of an action that can be promoted on grounds of 'sympathy' (whether or not that is why the action is actually chosen), and this falls *within* the general area of promotion of one's own well-being.¹² In contrast, a case of 'commitment' is observed when a person decides to do a thing (e.g., being helpful to another) despite its not being, in the net, beneficial to the agent himself. This would put the action outside the range of promoting one's own well-being (linking the action with *other* objectives). At the risk of oversimplification, it may be said that we move from agency achievement to personal well-being by narrowing the focus of attention through ignoring 'commitments', and we move from personal well-being to the standard of living by further narrowing the focus through ignoring 'sympathies' (and, of course, 'antipathies',

¹¹ I am grateful to Bernard Williams for suggesting this way of clarifying the distinction between well-being and living standard (though he would have, I understand, drawn the boundaries somewhat differently). Williams' suggestion came in the seminar following my Tanner Lectures, but I have taken the liberty of following up the idea in the lectures themselves, since it makes my line of reasoning easier to understand and assess. On related matters, see my 'Reply' (pp. 109–10).
¹² It is, however, important to distinguish between one's well-being being promoted by one's action and that action being chosen for that reason; on this, see Nagel (1970). Here we are concerned primarily with effects rather than with motivations, and thus the use of the distinction between 'sympathy' and 'commitment' is rather different here from its use in Sen (1977a).

and other influences on one's well-being from outside one's own life). Thus narrowed, personal well-being related to one's own life will reflect one's standard of living.

The lines of distinction can, of course, be drawn in other ways as well, but the system outlined here seems to be both interesting in itself *and* well related to the motivations underlying traditional concerns with the concept of the standard of living. The curiosity and interest that made Petty, Lavoisier, Lagrange and others take up their investigations into real income and living standards were related to the assessment of the nature of people's lives. The view of the living standard taken here fits in fairly well with that motivation.

VALUATION AND FUNCTIONINGS

In assessing the standard of living of a person, the objects of value can sensibly be taken to be aspects of the life that he or she succeeds in living. The various 'doings' and 'beings' a person achieves are thus potentially all relevant to the evaluation of that person's living standard. But this is, of course, an enormous – possibly infinite – list, since a person's activities and states can be seen in so many different ways (and can also be persistently subdivided). Thus, the identification of certain 'doings' and 'beings' as objects of value is itself a valuational exercise – an issue that was touched on in the first lecture. The list of functionings reflects a view of what is valuable and what is of no intrinsic value (though possibly quite useful in the pursuit of other things of value).

The assessment of living standard would, of course, have to go beyond this initial identification. It might even appear that no comparisons at all of *overall* living conditions can be made without going beyond that identification into more specific valuations. This is, in fact, not so, since that identification itself will generate a dominance partial ordering (acknowledging an improvement in some achievement when it is unaccompanied by a reduction in any other). The relevance of dominance reasoning was discussed in the first lecture in general terms, and it is sufficient here to draw attention to the fact that an identification of objects of value without further valuation would nevertheless give us a partial measure of overall living standard. While that partial ranking will be silent on many comparisons – whenever there is a gain in one respect and a loss in another – the measure may still be of some considerable practical use. In comparing across class

barriers, or in contrasting the living conditions of the rich with those of the very poor, or in assessing social change accompanied by progress (or regress) on all fronts, the dominance partial ordering may indeed give many unequivocal judgements of the ranking of overall living standard. There is no reason for us to spurn what we can get in this way, even when the finer aspects of relative weighting may not have been resolved.

However, there is, in general, good ground for wanting to go beyond this minimum articulation. The identification of objects of value is equivalent to asserting that these objects have *positive* weights without specifying what these weights exactly are. A sensible way to proceed from here is to confine the weights to certain ranges—possibly quite wide ranges—rather than opting for the overambitious programme of specifying an exact set of numerical weights. As the ranges of weights are narrowed, the partial ordering would get more and more extended. I have discussed elsewhere the mathematical properties of variable weights and partial orders, and will not go into that question here (Sen 1970).¹³ But it is important to emphasise that the choice is not simply between no specification and complete specification of weights and that various intermediate possibilities exist and have much plausibility.

But no matter how narrow the weight specification is, the *source* of the weighting also admits some variations. Is the relevant valuation function that of the *person* whose standard of living is being assessed, or is it some general valuation function reflecting accepted 'standards' (e.g., those widely shared in the society)? The first point to note here is that these two general approaches, which we may respectively call 'self-evaluation' and 'standard-evaluation', both have some relevance of their own. Self-evaluation would tell us what the person would judge to be his standard of living in comparison with other positions (in line with his own valuations), whereas standard-evaluation places that person's living conditions in a general ranking in terms of some social standard (as it is reflected by commonly accepted values in the society). I don't think it makes sense to ask, without specifying the context of the enquiry, which of the two is, in general, the better approach. Which is superior must depend on what we are trying to compare and why.

The standard-evaluation approach has a good deal of use when we

¹³ See also Basu (1979), Blackorby (1975) and Fine (1975).

are talking about, say, the extent of poverty in a community in terms of 'contemporary standards'. I have tried to discuss elsewhere the relevance of this type of comparison (Sen 1981: Chapters 2, 3, esp. 17–19). An interesting and important empirical study of poverty in terms of contemporary standards can be found in the recently published book by Joanna Mack and Stewart Lansley (1985).¹⁴ In this work, contemporary standards regarding poverty have been determined on the basis of extensive questionnaires, yielding considerable uniformity of answers regarding the need for particular commodities and the related functionings.

The identification of the poor is an exercise in which the focus is on the *minimum* living conditions, but the same approach of using contemporary standards can, of course, be used to *rank* the overall living standards of different persons and groups. The essential feature of this general approach is the reliance on some uniformity of judgements (when such uniformity exists) on the respective importance of different objects of value. The standard-evaluation approach can be used in many different ways in studies of living standards.

The self-evaluation approach is concerned with each person's assessment of his or her *own* living standard *vis-à-vis* that of others.¹⁵ A person can, of course, regard his standard of living to be higher than his neighbour's, even though in terms of general 'contemporary standards', his living standard would be judged to be lower. There is clearly no paradox here, since two different questions may easily receive two different answers. If the contemporary standards are widely shared (or would be widely shared after adequate reflection), then the two sets of answers may typically not diverge, and the self-evaluation approach would then tend to yield the same results as the standard-evaluation procedure.

VALUATIONAL ASPECTS

The valuation of objects in the assessment of the living standard raises many complex issues. I do not have the opportunity to pursue many of

¹⁴ One of the broader conclusions of their study is that in terms of contemporary standards the identified minimum living conditions are not reached by five million adults and two-and-a-half million children in Britain, covering about a seventh of the total population. See also van Praag, Hagenars and van Weeren (1982).

¹⁵ For some interesting studies of self-evaluation, see Canttil (1965), van Praag (1968), Easterlin (1974), Simon (1974) and van Herwaarden, Kapteyn and van Praag (1977). See also Allardt (1981) and Erikson *et al.* (1984).

them here in detail, but I shall take the liberty of making a few brief remarks on some aspects of this problem.

First, the use of accepted social standards has both subjective and objective features. The approach might appear to be largely subjective in the sense that the building blocks of judgement are the opinions held in a particular community. But a deeper analysis of the problem would require us to go into the question as to *why* these opinions are held and these values cherished. Further (and more immediately), from the point of view of the social scientist studying contemporary standards, the opinions held are primarily matters of fact and do not call for the unleashing of one's own subjectivism into the problem of assessment. The balance of subjective and objective features is far too complex in an exercise of this kind to be sorted out rapidly here, but it is worth emphasising that despite the dependence on contemporary opinions the exercise has important objective features that can be neglected only at the cost of distorting its epistemological nature. I have tried to discuss these questions elsewhere and will not pursue them further here (Sen 1981: Chapters 2, 3; Sen 1983b).¹⁶

Second, self-evaluation must not be confused with the *utility* of the person in any of its interpretations of pleasure, or desire fulfilment, or choice, for, as was discussed in the first lecture, self-evaluation is quintessentially an *evaluative* exercise, which none of the interpretations of utility in itself is. The distinction is of particular importance in dealing with the point, often made by utilitarians, that any departure from utility-based evaluation must involve paternalism: 'Who are *you* to reject the person's own utility? The problem is more complex than that, since the person's own evaluation may involve differences from his own utility rankings in the form of happiness, or desire, or choice. The issue of paternalism, when it does arise, must relate to the rejection of the person's *self-evaluation* (rather than of utility).

Third, the rejection of the Pareto Principle, which builds on the unanimity of utilities, need not – for the same reason – involve any paternalism at all. Indeed, the self-evaluation of the person's well-being or living standard can quite possibly indicate a course of action that is distinctly anti-Paretian, for the force of any dominance partial ordering is derivative from the relevance of the objects on which that partial ordering is based. If the relevance of the individual utilities is

called into question, the force of the Pareto Principle is correspondingly undermined for social action (see Sen 1970, 1979b, 1983c).

Fourth, in the evaluation of the living standard, there are many intermediate positions between a *complete* ordering of all alternatives and the dominance partial ordering, which may be very incomplete, of the valued functionings and capabilities. As was mentioned earlier, the relative weights may not be precisely determined, but fixed over wide ranges, yielding partial orderings more extensive than the dominance partial order, but short of a complete ordering. There is nothing particularly embarrassing in not being able to compare every pair of life styles in terms of living standard. The ambiguities in evaluation (even in identification of 'contemporary standards') may require us to be silent on some comparisons while being articulate on others. There is no great failure in the inability to babble.

Fifth, the overall ranking of living standard is only one way of seeing this evaluation. Sometimes the assessment of particular components of the standard of living may be of no less interest. If it turns out that there has been an improvement in, say, the standard of nourishment but a decline in the standard of being sheltered, that itself may be an interesting enough assessment, even when we are unable to decide whether 'altogether' this indicates an improvement or a deterioration. The passion for aggregation makes good sense in many contexts, but it can be futile or pointless in others. Indeed, the primary view of the living standard, as was argued earlier, is in terms of a collection of functionings and capabilities, with the overall ranking being the secondary view. The secondary view does have its uses, but it has no monopoly of usefulness. When we hear of variety, we need not invariably reach for our aggregator.

FUNCTIONINGS VERSUS INCOMES

The last point is of a certain amount of immediate practical relevance. When making empirical comparisons of living standard, the temptation to use such aggregate commodity-based measures as the GNP or the GDP is strong, partly because these measures seem nicely aggregated and conveniently complete. Everything, it may appear, counts in the GNP. The question, of course, is: everything in what space? Commodities, typically yes; functionings and living conditions, possibly not at all.

Still, the diverse commodity bundles may appear to be well

¹⁶ See also James (1984).

aggregated in the GNP measure through the use of observed prices, and this appeals to many of us over the ambiguities of dealing with a variety of functionalities without any simple and immediate method of aggregation. But can this possibly make sense if our real concern is with living conditions and functionalities? Why must we reject being vaguely right in favour of being precisely wrong? The conflict between relevance and simplicity of use, referred to earlier, is indeed a hard one in economic measurement and evaluation, but it is difficult to see why simplicity of use should have such priority over relevance.

As it happens, the more diverse characterisations of living standard, with various components separately presented, can be used in many practical exercises without great difficulty. Consider, for example, the much discussed subject of the comparison of China and India in terms of the enhancement of the living standard. The Chinese economy, we are told by the *World Development Report 1984* of the World Bank, has been having a growth rate of 5.0% per year of GNP per head between 1960 and 1982, while the corresponding Indian growth rate has been only 1.3%. This comparative picture would also seem to be consistent with the impression that people visiting the two countries tend to get. Thus, everything looks in order, and GNP seems like a sensible enough indicator.

But the comparative picture of GNP growth does not bear much scrutiny. In the same *World Development Report*, China's GNP per head is shown to be 19% higher than India's in 1982, and by extrapolating backwards at the respective rates of GNP growth, we would arrive at the astonishing conclusion that India's GNP per head had to be 54% higher than China's in 1960 for the two sets of GNP information to be internally consistent. This is, of course, just nonsense, since all accounts of GNP of that period suggest that India's and China's levels were comparable, and indeed Simon Kuznets estimated the Chinese 'product per capita' to be about 20% higher than India's around that period (in 1958 to be exact) (Kuznets 1966:360-1). The apparent precision of the GNP and GDP calculations has thus yielded nothing but a picture of confusion.

Happily, that is not much of a disaster if the opulence view of the living standard is rejected in favour of the view of functionalities and living conditions. The Chinese achievement in the living standard is clearly higher than India's in terms of many of the more important functionalities. In terms of life expectancy, the Chinese get 67 years, the Indians a miserable 55, according to one estimate (World Bank 1984).

Table 1), and lower still according to others. The Chinese have more than two-thirds literacy, while the Indians hover around a third (World Bank 1983: Table 1). It is this type of comparison that can tell us what has been happening in the achievement of the living standard in China *vis-à-vis* India, and even the fragmented information on the important functionalities tells us more than the oddly precise picture of aggregated GNP. In so far as the Chinese have done worse in some respects than the Indians, for example in not being able to avoid a famine, there having been a major one in 1959-61 (see Ashton *et al.* 1984), or in not giving the citizens access to various sources of news and information, these too can be compared in terms of certain basic functionalities (Sen 1983d). The main point is that the successes and failures in the standard of living are matters of living conditions and not of the gross picture of relative opulence that the GNP tries to capture in one real number.

To take another practical exercise, in looking at the prevalence of sex bias in poor economies like that of India, one gets rather little help from figures of family income and even of family consumption patterns, though Angus Deaton, John Muellbauer and others have skilfully got as much juice out of that as possible (Deaton and Muellbauer 1980, Deaton 1981). For one thing we do not know who within the family is exactly consuming how much (e.g., of food), and for another our main concern is not with commodity consumption but with functioning. It seems natural, then, to look at the comparative pictures of mortality, morbidity, undernourishment, etc., in assessing sex bias at this basic and elementary level.

As it happens, these data are also easier to obtain, and tell their stories eloquently. The picture that emerges in India is one of great disquiet: greater female mortality at most age groups (except in the immediate neo-natal phase and age groups beyond 35); a declining *ratio* of females to males in the total population; greater female morbidity in the results of health surveys; systematically less use of medical services by women *vis-à-vis* men, and by girls *vis-à-vis* boys; and signs of greater undernourishment among rural girls compared with rural boys living in the same village and sometimes in the same family (see, for example, Kynch and Sen 1983; Sen 1984a: Chapters 15, 16; Sen and Sengupta 1983; Gopalan 1984).

If sex bias in the living standard is our object of study, then it does seem to make good sense to look directly at the living conditions of the respective groups and to form a judgement, even when there are

difficulties in constructing an aggregate index of sex bias. The constitutive plurality of the standard of living can be dealt with not only through formal aggregation, but also through simultaneous assessments of the different objects of value.

CAPABILITY AND FUNCTIONING

I have left one difficult general issue for discussion until almost the very end of this second lecture, and that is the question of the respective roles of capabilities and functionings in the assessment of living standard. A functioning is an achievement, whereas a capability is the ability to achieve. Functionings are, in a sense, more directly related to living conditions, since they *are* different aspects of living conditions. Capabilities, in contrast, are notions of freedom, in the positive sense: what real opportunities you have regarding the life you may lead.¹⁷

Given the close connection of functionings with actual living, it might seem reasonable to concentrate on functionings rather than capabilities in evaluating the living standard. I believe that this is, to a great extent, right. But it is not fully right. Capabilities have a direct role, too, since the idea of the living standard has an aspect that is not quite independent of the perspective of freedom. Suppose I can choose various styles of life – *A*, *B*, *C* and *D* – and I choose *A*. Consider now that the other styles of life – *B*, *C* and *D* – become unavailable to me, but I can still choose *A*. It might be said that my standard of living is unchanged, since *A* is what I would choose anyway. But it is not absurd to argue that there is some loss in my living standard in this reduction of freedom.

One way of putting this is to argue that the value of the living standard is given by the capability to lead various types of life, and while special importance is to be attached to the actual life style chosen, the availability of the other options has some value too. Another, perhaps more illuminating, way of seeing this question is to demand that the functionings be 'refined' to take note of the

¹⁷ Note that the extent of freedom must not be judged only by the number of alternatives; it depends also on the goodness of the alternatives. To take a simple case, if the functioning bundle *x* is superior to bundle *y*, and *y* to *z*, then the capability set $\{x, z\}$ is superior to set $\{y, z\}$. Also, in an important sense, set $\{x\}$ is superior to set $\{y\}$. The argument involves the relevance of 'counterfactual' choice to freedom ('what would you choose given the choice over *x* and *y*?'). On this, see Sen (1985a, 1985b).

alternatives available. Choosing *A* when *B* is also available is a different 'refined' functioning, it can be argued, from choosing *A* when *B* is not.

An illustration may help to bring out the contrast. Consider two people both of whom are starving – one without any alternative (since she is very poor) and the other out of choice (since he is very religious in a particular style). In one sense their functioning achievements in terms of nourishment may be exactly similar – both are undernourished, and let us assume that they are so even to the same extent. But one is 'fasting' and the other is not. The religious faster is *choosing to starve*, whereas the poor starver is exercising no such choice over whether to starve or not. In the space of *refined* functionings, alternative opportunities could thus figure in the characterisation of functionings *themselves* (see Sen 1985a: Chapter 7; 1985b). The notion of capability is, then, partly reflected in the identification of the refined functionings.

In fact, the relations between functionings and capabilities are much more complex than they might at first appear. Living conditions are, in a sense, states of existence – being this or doing that. Functionings reflect the various aspects of such states, and the set of feasible functioning bundles is the capability of a person. But among the beings and doings are activities of choosing, and thus there is a simultaneous and two-way relationship between functionings and capabilities. It is, of course, true that once the functionings have been suitably richly characterised, then we can again ask the question: What alternative 'refined' functioning bundles are open to this person? But in the process of getting to that point, considerations of alternative functionings (and thus of capabilities) have already been taken on board.

The formal problems of characterisation, while interesting, are perhaps not ultimately very important, and what is really significant in all this is to accept the legitimacy of certain freedom-type considerations as part of the conditions of life.¹⁸ Thus the capability approach, broadly defined, is not concerned only with checking what set of bundles of functionings one could choose from, but also with

¹⁸ The importance of freedom in judging a person's life was sharply emphasised by Marx. His liberated society of the future would make it possible for me to do one thing to-day and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have in mind, without ever becoming hunter, fisherman, shepherd or critic' (Marx and Engels 1947 [1846]:22).

seeing the functionings themselves in a suitably rich way as reflecting the relevant aspects of freedom. The constitutive plurality of the capability approach to the living standard has to take note of this as well.

A CONCLUDING REMARK

I must end here. I have tried to present a particular way of seeing the living standard and its assessment. I have argued against some approaches that are fairly widely used – including opulence and utility. I have contrasted assessment in terms of ‘self-evaluation’ and assessment by ‘standard-evaluation’. I have also argued for the relevance of unaggregated characterisations of functionings and capabilities, and of partial orderings of aggregated assessments.

The scope for empirical use of this approach seems wide enough. This does not, of course, imply that all the refinements are easy to incorporate in empirical studies. The important first step is to be clear about the nature of the exercise – what it is and what it is not, what it demands and what does not much matter.

Walter Bagehot had once remarked that ‘one of the greatest pains to human nature is the pain of a new idea’. Happily, this pain need not occur here. The living standard is an *old* idea, and I have tried to argue that the pioneers who considered the demands of the idea – Petty, Lavoisier, Lagrange, Smith, Marx, even Pigou, and others – did point towards the complex issues underlying the concept and its diverse relevance. The fact that we have also been frequently led up the garden path should not make us overlook the value of the leads we have got. There is, of course, a long way to go.