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RATIONALITY *and* FREEDOM

AMARTYA SEN

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PREFACE

The concepts of “rationality” and “freedom” are among the basic ideas in economics, philosophy and the social sciences. Indeed, many of the central themes in these fields depend crucially on these elementary notions. There is a case for critically investigating these concepts, which are very often invoked, but less frequently scrutinized. Making a small contribution to that relatively neglected task is among the main objects of this collection of essays.

The connections between the two foundational concepts, rationality and freedom, were particularly critical for the analyses of “freedom and social choice” that I presented in my Kenneth Arrow Lectures, given in 1991. The lectures appear, in a somewhat revised form, as the last three essays in this volume. The examination of the demands of rationality, presented in a number of essays in this volume, draws also on my 1987 Yrjö Jahnsson Lectures given in Helsinki in 1987.

This is the first of two volumes of essays on “rationality, freedom and justice.” If this volume is primarily concerned with the basic ideas of rationality and freedom (including their implications for individual and social choice), the companion volume, entitled *Freedom and Justice*, is aimed principally at practical reason in general and reasons of justice in particular. The

concepts of rationality and freedom find plentiful use in this context, for example, in explorations of political and moral philosophy, and public policy. Thus, even though the first volume is chiefly concerned with economics and social choice theory, and the second with philosophy and politics, there is a connecting thread running through them.

The order in which the papers are arranged in these volumes does not, in fact, follow the sequence in which they were published (including some that have not been published before). The presentation here reflects analytical priorities and linkages, rather than temporal seniority.

Over the years, I have had extremely helpful discussions and debates on these subjects with many friends, colleagues and coworkers. Their own areas of interest have varied between social choice theory, economics, philosophy, politics, sociology, mathematics, decision theory, social psychology, and a number of other fields. I will mention some of them by name, even though it is not easy to list all those who have stimulated my thinking and helped me to a better understanding of complex issues. I am very grateful to them all.

My understanding of rationality and freedom has been strongly influenced by my discussions over many decades with Kenneth Arrow. In this volume, the last three essays are revised versions of my Kenneth Arrow Lectures given in 1991, and this can be seen as a small acknowledgment of my immense debt to him. I have also benefited enormously from discussions, over a very long time, on these subjects with Sudhir Anand, A. B. Atkinson, Kaushik Basu, Jean Drèze, Ronald Dworkin, James Foster, Peter Hammond, Isaac Levi, Robert Nozick, Martha Nussbaum, Siddiq Osmani, Derek Parfit, John Rawls, Emma Rothschild, Thomas Scanlon, Robert Sugden, Kotaro Suzumura, Vivian Walsh and Stefano Zamagni.

In philosophy, my overwhelming debt to John Rawls will be clear, particularly in the essays included in the companion volume (*Freedom and Justice*). In my eleven years at Harvard (1987–1998), I also have had the remarkable opportunity of benefiting from interactions with a number of other colleagues in the philosophy department, including Robert Nozick (with whom I taught a shared course nearly every year, sometimes joined by Eric Maskin), Hilary Putnam (whose ideas and critiques helped to clarify my understanding), and Thomas Scanlon (from whose analyses and incisive comments I have profited extraordinarily). Before moving to Harvard, I had the opportunity, during the years 1977–1987, of teaching joint courses at Oxford with Ronald Dworkin, Derek Parfit and G. A. Cohen, and inter-

actions with them have been of great benefit to me. Bernard Williams has been a constant source of wisdom and insight for me, and it is hard to express my debt to him over the years, beginning with our joint work on utilitarianism from the late 1970s. I am also greatly indebted, for discussions on philosophical problems over the years, to Akeel Bilgrami, Joshua Cohen, Jon Elster, Susan Hurley, Isaac Levi, Thomas Nagel, Onora O'Neil, John Searle, Larry Temkin, Philippe Van Parijs, and others.

In social choice theory, I have had very useful interactions with a great many colleagues. The work presented here has been particularly influenced by discussions with Paul Anand, Nick Baigent, Charles Blackorby, Rajat Deb, Bhaskar Dutta, Wulf Gaertner, Louis Gevers, Eric Maskin, Prasanta Pattanaik, Robert Pollak, and Kotaro Suzumura (who has also been kind enough to read the Introduction and has given me extremely useful comments). In economics, I have much profited from the comments of George Akerlof, A. B. Atkinson, Kaushik Basu, Angus Deaton, Jerry Green, Albert Hirschman, Ravi Kanbur, Minquan Liu, Esfandiar Maassoumi, Mukul Majumdar, Stephen Marglin, Gay Meeks, James Mirrlees, Mamta Murthi, Douglas North, Siddiq Osmani, E. S. Phelps, Matthew Rabin, V. K. Ramachandran, Carl Riskin, John Roemer, Vivian Walsh and Menahem Yaari, among others. There are also many others who have influenced my understanding in specific ways: a number of them are identified separately in each chapter. I should add that the ideas behind most of these essays were presented, in one form or another, to my students, at different universities where I have taught; and I have learned greatly from interactions with them.

Finally, I am most grateful to Valentina Urbanek for extremely efficient research assistance, and also to Alex Gourevitch, Rosanne Flynn, Rosie Vaughan and Arun Abraham for their wonderful help. To all of them I would like to convey my thanks and appreciation.

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Part I

GENERAL INTRODUCTIONS

INTRODUCTION: RATIONALITY AND FREEDOM

1. Themes and Concepts

This introductory essay—one of the two included in Part I—is aimed at making some motivational as well as substantive remarks on rationality and freedom in order to put the papers in this volume in a connected perspective. As it happens, many of these essays are particularly concerned with exploring the nature, characteristics and implications of alternative conceptions of rationality and freedom. The exploration of two distinct ideas can, of course, proceed separately, but the concepts of rationality and freedom are not, in fact, independent of each other. In this introductory essay, I shall comment on each, but also on their interdependence.

The other preliminary essay included in Part I, “The Possibility of Social Choice” (Chapter 2), is in fact a “recycled” introductory discussion: it was used earlier as my Nobel Lecture given in Stockholm in December 1998. This essay is particularly concerned with the demands of rational social choice, including the claims of freedom as a social reason. It also briefly recapitulates the history of social choice theory from its formal origin in the hands of French mathematicians (such as Condorcet and Borda), to the vibrant rebirth of the subject about half a century ago through the works

of Kenneth Arrow, and finally to the dynamism of the discipline of social choice theory over the recent decades (largely inspired by Arrow's pioneering contributions and the challenges he posed).¹ The theme of rationality is quite central to the discipline of social choice theory, as is discussed in Chapter 2. That introductory discussion supplements this essay as a general prologue to this volume.

Rationality is interpreted here, broadly, as the discipline of subjecting one's choices—of actions as well as of objectives, values and priorities—to reasoned scrutiny. Rather than defining rationality in terms of some formulaic conditions that have been proposed in the literature (such as satisfying some prespecified axioms of "internal consistency of choice," or being in conformity with "intelligent pursuit of self-interest," or being some variant of maximizing behavior), rationality is seen here in much more general terms as the need to subject one's choices to the demands of reason.

2. A Reciprocal Relation

The extensive reach that reason can have is part of the motivating concern of the papers that try to explore the demands of rationality (Chapters 3–7). The broad reach entails the rejection of some widely used but narrowly formulaic views of rationality: for example, that rationality must require following a set of *a priori* "conditions of internal consistency of choice" or "axioms of expected utility maximization," or that rationality demands the relentless maximization of "self-interest" to the exclusion of other reasons for choice. It is argued that the idea of "internal consistency of choice" is not only unconvincing but also basically incoherent (Chapter 3), and the demands of maximizing one's self-interest to the exclusion of other possible objectives and values can limit the general and permissive discipline of maximization too narrowly and arbitrarily (Chapter 4). More generally, "reasons for choice" can have much diversity, and it would be a mistake to try

1. See Arrow (1951a). There is a massive literature on this subject in the form of books and articles; the monographs include Sen (1970a), Pattanaik (1971), Fishburn (1973), Schwartz (1976), Kelly (1978), Laffont (1979), Moulin (1983), Suzumura (1983), Arrow, Sen and Suzumura (1996), to mention just a few.

to eliminate that diversity by some definitional trick, or by some arbitrary empirical assumption of complex instrumentality. Reason need not be second-guessed out in defining rationality.

There is a reciprocal relationship between rationality and freedom, with which this volume of essays is much concerned. Each, it can be argued, helps us to understand the other somewhat more fully. It is easy to see that rationality in this general form (with its demand for “reasoned scrutiny”) can serve as the basis for interpreting several complex concepts in which reasoning and reasoned choice play an important role. This is particularly the case with the concept of freedom. These interconnections are especially relevant for the analysis of freedom presented in the Arrow Lectures (Chapters 20–22) with which this volume ends.

To illustrate, in assessing the “opportunity aspect of freedom,” the focus has to be on the alternatives that a person has reason to value or want. The importance of freedom and of opportunity would be hard to motivate if the focus were not on the options or processes that one has reason to value or want, but rather on alternatives one has no reason to seek. Thus, an assessment of the opportunities a person has would require some understanding of what the person would want to have and have reason to value having. Even though the idea of freedom is sometimes formulated independently of values, preferences and reasons, freedom cannot be fully appraised without some idea of what a person prefers and has reason to prefer. Thus, there is a basic use of rational assessment in appraising freedom, and in this sense, freedom must depend on reasoned assessment of having different options. The same applies to the value of processes—as part of “the process aspect of freedom”—to which people have reason to attach importance. Rationality as the use of reasoned scrutiny cannot but be central to the idea and assessment of freedom.

Second, the converse also holds: rationality, in its turn, depends on freedom. This is not merely because without some freedom of choice, the idea of rational choice would be quite vacuous, but also because the concept of rationality must accommodate the diversity of reasons that may sensibly motivate choice. To deny that accommodation in favor of conformity with some preselected mechanical axioms (in the form of alleged requirements of “internal consistency of choice”), or with some prespecified “appropriate” motivation (such as the canonical selection of “self-interest maximization” as an exclusive guide, rejecting all other concerns that people have) would involve, in effect, a basic denial of *freedom of thought*. Our motives are for

us to choose—not, of course, without reason, but unregimented by the authoritarianism of some context-independent axioms or by the need to conform to some canonical specification of “proper” objectives and values. The latter would have had the effect of arbitrarily narrowing permissible “reasons for choice,” and this certainly can be the source of a substantial “unfreedom” in the form of an inability to use one’s reason to decide about one’s values and choices.

Kenneth Arrow’s broad characterization of preference (including in it a person’s “entire system of values, including values about values”) is particularly relevant in this context.² This can be contrasted with a narrowly formulaic view of preference and choice which is quite common in some parts of economics, such as the view that a person must be seen as pursuing only what she takes to be her self-interest (without any role being given to other objectives and ignoring all values other than narrowly self-interested reasons). That view, in effect, amounts to seeing people as “rational fools,” who are unable to see the differences between various distinct concepts, such as (1) personal well-being, (2) private self-interest, (3) one’s goals and objectives, (4) individual values (including, as Arrow puts it, “values about values”), or (5) diverse reasons for what one may sensibly choose (as was discussed and scrutinized in Sen 1977c, 1982a).

Indeed, in a substantial part of the analysis of rational choice, one “all-purpose ordering” is standardly taken to make do for each of these distinct ideas. In this model, the “rational fool” is in such a “definitional” fix that he cannot distinguish between clearly distinct questions such as: “what serves my interest best?” “what are my goals?” “what shall I do?” He *must*—by the analytical force of non-distinction—give effectively the same answer to these interlinked but disparate questions. There is certainly a discipline here, but one that loses sight of the eminent distinguishability of distinct issues.³ The grossness of such categorical identification goes hand in hand, then, with quite sophisticated analysis of a fine-tuned pursuit of one’s goal, which is seen, by definition, as one’s self-interest. There is an implicit denial

2. Arrow (1951a), p. 18. This broad characterization has implications for rationality both in individual decisions and in social choice. On this see also Sen (1970a), Chapters 1 and 1*.

3. The insistence on the *congruence* of different interpretations is not, of course, the same as having *alternative* interpretations of a given concept (such as “preference”). On this see Chapter 20 (the first Arrow Lecture).

of freedom of thought in characterizing people in such a way that they do not have any use for—and in effect cannot tell between—these distinct ideas, including different reasons for choice.⁴

The “rational fool” is, in this sense, also a victim of repression. The lost freedom can be restored only by allowing this imagined entity the liberty to acknowledge some critically important distinctions that the reductionist model tends to obliterate. Some of the essays in this volume are particularly concerned with investigating these distinctions and their far-reaching implications for individual and social choice. These investigations have a bearing on the other essays included here (including the Arrow Lectures on “Freedom and Social Choice,” Chapters 20–22). The two-way linkage is important in this and other contexts.

3. The Place of Freedom

“We shall probably all agree,” T. H. Green said in 1881, “that freedom, rightly understood, is the greatest of blessings; that its attainment is the end of all our effort as citizens.”⁵ Whether or not we “all” agree with so exacting a claim, it is hard to deny that ideas of freedom influence us deeply. We have reason to value our own freedom, and it is difficult to think of the excellence or the limitations of a society, or of the rightness or wrongness of social arrangements, without invoking—in one way or another—freedoms of various kinds and their fulfillment and violation in the societies under scrutiny.

And yet in traditional welfare economics (well illustrated by the pio-

4. Since the expression “rational fool” has recently been used in richly diverse ways, perhaps I should note that in the presentation that I attempted in Sen 1977c, in an article with that title, the identification of the “rational fool” was not simply in terms of the self-centeredness of a person. There would be nothing necessarily foolish in being self-centered or even selfish (even though it could be a moral or political failing). The diagnosis of “foolishness” in particular was related to the “definitional fix” which does not allow the person the freedom to distinguish between disparate—though interlinked—questions and which insists that she must answer all these different questions in exactly the same way. Being self-interested need not be foolish, but not to have the freedom to consider whether to be self-interested (and to what extent) is a serious limitation of rationality.

5. Green (1881), p. 370. See also Green (1907).

neering works of Edgeworth 1881, Marshall 1890, Pigou 1920, Ramsey 1931, and others), the only variables of intrinsic importance are taken to be the *utilities* or *welfares* of the individuals involved. That tradition continues. The so-called “new welfare economics,” which emerged as the newly dominant school about half a century ago, was critical of the old utilitarian formulation (largely because of the difficulties in making interpersonal comparisons of utilities, as discussed by Lionel Robbins 1938), but continued to confine attention to utility information only.⁶ The decline of utilitarianism did not lead to the rise of a freedom-oriented perspective.

In contemporary welfare economics, there is considerable diversity, and even some eclecticism. There are fine attempts to use broader criteria of economic progress, with explicit invoking of considerations of equity as well as efficiency. Even the use of interpersonal comparison of utility or well-being has recovered some ground it had lost earlier.⁷ Moreover, there is now more tolerance of the use of partially theorized measures in the form of “levels of living,” or “basic need fulfillment,” or “quality of life,” or “human development.”⁸

There is, however, a basic question to be addressed here concerning whether these functional—if rough—criteria should be intellectually anchored on some underlying notion of *well-being*, or on ideas of *freedom*.

6. The attempt to base welfare economics on Pareto efficiency did not go beyond using utility data, even though it invoked utility in a particularly impoverished form (without interpersonal comparability and without cardinality). Arrow’s “impossibility theorem” can be seen as being precipitated by the informational lacuna resulting from the simultaneous (1) exclusion of non-utility information, and (2) use of utility information in a particularly limited form (without interpersonal comparability); on this see Chapter 11 in this volume (“Information and Invariance in Normative Choice”).

7. See, for example, the literature on optimum taxation (such as Mirrlees 1971) or on the normative measurement of inequality (such as Atkinson 1983).

8. While attempts to use such practical criteria go back a long time, a major difference has been made in this respect by the widespread use of “human development” indicators in the UNDP’s *Human Development Reports*, developed under the leadership of Mahbub ul Haq (see Haq 1995). The literature on such measures is vast, and includes Pigou (1920), Adelman and Morris (1973), Sen (1973, 1981), Bardhan (1974), Adelman (1975), Herrera et al. (1976), Grant (1978), Griffin (1978), Streeten and Burki (1978), Morris (1979), Chichilnisky (1980), Streeten, Burki, Haq, Hicks, and Stewart (1981), Stewart (1985), Dasgupta (1993), Anand and Sen (1996, 1997), Floud and Harris (1996), Crafts (1997a, 1997b), Mehrotra and Jolly (1997), among many other contributions.

A. C. Pigou (1920, 1952), who pioneered discussions on “need fulfillment” and “levels of living,” saw the underlying foundation to be based ultimately on utility. There is still a strong feeling, which is easy to understand and appreciate, that the “space” in which equity and efficiency are to be judged must be founded—directly or indirectly—on some concept of well-being of the persons involved. It is, however, possible to see freedom—rather than well-being—playing this foundational role, and several essays in these two volumes explore different aspects of this possibility.⁹

Attention must also be paid to the relation between well-being and freedom. Indeed, it must be asked whether the idea of freedom can accommodate the considerations that make well-being an apparently credible basis for social assessment and evaluation, and this would require a scrutiny of the extent of partial congruence—or overlap—between the two ideas. In addition, it is also necessary to examine whether the idea of freedom has some extra reach that fruitfully extends the analysis beyond any concentration on well-being only. A number of essays in these two volumes deal with these issues. Indeed, the Arrow Lectures (Chapters 20–22) are aimed, in part, at examining some of these concerns.

4. Freedom: Opportunity and Process

The content of freedom has been a subject of such controversy over the centuries that it would be extremely foolish to expect to resolve all that in two volumes of essays. It would be equally a mistake to look for one “authentic” characterization of the basic idea of freedom. The concept of freedom includes within its capacious body a diversity of concerns. On an earlier occasion (Sen 1999a), I quoted a couplet from William Cowper that points to this rich variance:

Freedom has a thousand charms to show,
That slaves, howe'er contented, never know.

9. See, particularly, the essays entitled “Well-being and Freedom,” “Justice: Means versus Freedoms,” and “Capability and Well-being” in the companion volume, *Freedom and Justice*. I have also tried to present this perspective in two sets of Tanner Lectures, respectively entitled “Equality of What?” (Sen 1980) and “The Standard of Living” (Sen 1987b).

It is, however, useful to point to some features of importance in understanding at least some of the things that freedom stands for. I argue in the Arrow Lectures (particularly in Chapters 20 and 21) that we must distinguish between two different and irreducibly diverse aspects of freedom, namely, “the opportunity aspect” and “the process aspect.” I also argue there that the social choice approach, which is generally examined in Chapters 8–11 (in Part III: “Rationality and Social Choice”), has much to contribute to a fuller understanding of the different aspects of freedom.

Freedom can be valued for the substantive opportunity it gives to the pursuit of our objectives and goals. In assessing opportunities, attention has to be paid to the actual ability of a person to achieve those things that she has reason to value. In this specific context the focus is not directly on what the processes involved happen to be, but on what the real opportunities of achievement are for the persons involved. This “opportunity aspect” of freedom can be contrasted with another perspective that focuses in particular on the freedom involved in the process itself (for example, whether the person was free to choose herself, whether others intruded or obstructed, and so on). This is the “process aspect” of freedom.

Even though the opportunity aspect and the process aspect can sometimes point in the same direction, it is quite possible for them to diverge in particular circumstances. For example, a person may, in a specific case, have more direct control over the levers of operation and yet be less able to bring about what she values. When such a divergence occurs, we can go in somewhat different directions. We may, in many cases, value real opportunities to achieve certain things no matter how this is brought about (“don’t leave the choice to me, you know this restaurant and my tastes, you should choose what I would like to have”). But we may also value, in many cases, the process of choice (“I know you can express my views much better than I can, but let me speak for myself”). We may have good reasons to attach significance to both aspects of freedom, and the relative importance we attach to them respectively may vary with the nature of the choice and its context.¹⁰

10. Even though “liberty” is often defined in a purely procedural way, actual opportunities are also of great relevance to traditional formulations of the idea of liberty (including the perspective explored in John Stuart Mill’s *On Liberty* [Mill 1859]). This is discussed in Chapters 2 (“The Possibility of Social Choice”), 12 (“Liberty and Social Choice”), 13 (“Minimal Liberty”), and 21 (“Processes, Liberty and Rights”).

The distinction between the opportunity aspect and the process aspect of freedom is quite central to having an adequately broad understanding of freedom. The first of the Arrow Lectures (Chapter 20) is devoted primarily to an analysis of the opportunity aspect of freedom (in addition to an initial discussion that outlines the distinctions involved and also the role of social choice theory in throwing light on the diverse concerns). The second Arrow Lecture (Chapter 21) is mainly concerned with the process aspect of freedom and its connections with the opportunity aspect. In assessing the significance of the process aspect, we have to go beyond the importance that a person may attach to processes that are critical for her own freedom, and take into account the procedural relevance of such social concerns as rights and justice.¹¹ Finally, Chapter 22 (the enlarged and extended appendix to the Arrow Lectures) aims to provide a scrutiny of some analytical issues and technical concerns involved in the assessment of the opportunity aspect of freedom.

In the political, social and philosophical literature on freedom, we can detect the diverse inclination of different authors to go in one direction or the other. For example, Tjalling Koopmans (1964) and David Kreps (1979, 1988), who relate the importance of freedom to “flexibility” to cater to unknown tastes in the future, are clearly concerned specifically with the opportunity aspect. In contrast, the concentration of Robert Nozick (1973, 1974) is on the rightness of libertarian procedures, and this is obviously focused on the appropriateness of the social processes that may be involved. Economists have tended, on the whole, to concentrate—when they take any note of freedom at all—on the opportunities offered by freedom.¹² But that is certainly not the case in political philosophy. Indeed, such central political distinctions as the contrast between “positive” and “negative” freedoms turn specifically on processes and procedures.¹³

11. On these interconnections, see also Suzumura (1999).

12. Even the focus of Milton Friedman’s analysis of what one is “free to choose” (Friedman and Friedman 1980), despite its procedural sound, is ultimately on the opportunities that the individuals end up having. However, Friedrich Hayek (1960) and James Buchanan (1986), and some younger economists such as Robert Sugden (1981, 1993), clearly do attach substantial importance to the processes involved.

13. The distinction between positive and negative freedoms can be formulated in several different ways. In his classic presentation of this distinction, Isaiah Berlin (1969) has concentrated mainly on whether a person’s lack of ability to achieve something is caused by an external restraint or hindrance (this is the subject matter of “negative” freedom), or