Review of “Rationality and Freedom”

James E. Roper
Michigan State University

David M. Zin
Senate Fiscal Agency, State of Michigan

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Amartya Sen is Lamont University Professor at Harvard University, Master of Trinity College, Cambridge, and winner of the 1998 Nobel Prize in Economics. This is the first of two volumes focusing generally on rationality, freedom, and distributive justice. The second volume will be titled *Freedom and Justice*. This first volume is very rich and diverse, reflecting the originality and depth of Professor Sen’s work. This book contains chapters that are new and chapters that have appeared previously. In effect, *Rationality and Freedom* is an anthology by one person. As a philosopher and an economist, we highlight issues that reflect our common interests. This means some important themes are essentially ignored.

The book explores the primary relationships between three concepts: rationality, freedom and social justice. In the general world of economics, particularly as practiced outside academic spheres, these three concepts rarely share the same stage. Sen’s effort to create a recognized shared space for these concepts suggests wide ranging implications for policy at the economic and political level.

A recurrent theme is the inadequacy of how most economists deal with rationality and freedom. Regarding the latter, Sen distinguishes between what he calls opportunity and process aspects. Opportunity aspects of freedom relate to the actual ability of individuals to achieve desired outcomes, while process aspects pertain to the practices by which the outcomes are achieved. As Sen points out, economists largely neglect the process aspects of freedom in their work; and when such issues are considered at all, they are usually reduced to some rather arbitrary association with monetary measures. Such omissions and reductions are convenient—leading to an easy way to quantify freedom and fit it into mathematical models. Sen demonstrates that the quantitative tools of traditional economists, with which he is sympathetic and which he considers essential, currently rely on simplistic views of freedom. His complaint might be summarized as being especially skeptical of the practice of measuring well being in terms of wealth, measuring freedom in terms of opportunity, and then using money to link the two concepts.

A major contribution of Sen’s book is the completeness and conciseness of his long-standing rejection of narrowly formulaic views of rationality—especially very widely used forms of standard rational choice theory (RCT). Sen believes that freedom and rationality are intimately connected, as the reader is informed early in the volume:
“…just as rationality is important in assessing freedom …, freedom too is central to rationality, in the approach explored in this collection of essays.” (p. 52)

The distinction Sen draws between the opportunity and the process aspects of freedom is effective in demonstrating why standard forms of RCT, like those that economists rely on in defining the concept of a “rational economic person,” are gross oversimplifications of the more realistic process of rational assessment that Sen calls “reasoned scrutiny”:

“These interconnections [between the opportunity and process aspects of freedom] also show why it is not adequate to identify opportunity with the best choice that a person can make.” (p. 621)

While many economists would suffer under Sen’s criticisms that economists tend to concentrate on the opportunity aspects of freedom, and neglect its process aspects, in deploying their RCT based models, Sen notes political philosophers usually neglect the opportunity aspects. The goal of the volume, particularly in the context of evaluating freedom, is to find a balance between these approaches.

Sen stresses, though, that process can never be totally divorced from opportunity. A person may value a “culmination outcome”—which includes the process involved in achieving a goal. To use Sen’s example, a person may not want simply to win an election at any cost. He or she may want to win it fairly, which, of course, brings process into the picture. In making this connection between opportunity and process, Sen challenges the basis of many current economic and public policy decisions—those that rely on a traditional economic evaluation that omits the process aspect. As Sen correctly points out, there is little room for ethics in such a calculus. When the process aspect is omitted from consideration, economic analyses will largely reduce to exercises in finding the optimal way to get more, through the widest margin between costs and benefits, without incurring key (process) “costs” that may be highly valued, or even essential, to our way of life.

Economists may well answer Sen’s charges by insisting that they are not doing moral or political philosophy; they are doing “economics,” with an eye to the implications of their work for public policy. Few economics programs highlight any respect in which economic analysis may be implicitly making normative statements; nor do these programs underscore the implications of omitting normative considerations from their assumptions. For this purpose, they may insist, the mathematical models made possible by focusing on opportunity, and incorporating other things insofar as these things can be made to fit such models, are the best tools we have available. A shortcoming of the volume might be, in such economists' eyes, that Sen does little to provide these individuals with better mathematical models—complete with equations by which his “fuzzy” criteria can be manipulated. Such resistance may be understandable because, as Sen correctly maintains, many aspects of modern economics are highly dependent upon the use of rational choice theory as currently formulated.

To date, economists have generally answered challenges such as Sen’s by developing increasingly technical and specialized add-ons to the basic rational choice model. Sen’s observations on these “machinations” likens traditional economists to Ptolemaic astronomers (our term) who will generate as many “epicycles” as necessary to get their models to fit data which seem clearly not to fit into their mathematical constructions. As Sen eloquently notes in his introduction:
“The observation of such dissonance between the theory and the actuality of behavior has led to a remarkably large literature on skillfully ‘elongating’ the self-interest model to deal with these challenges ... The results are frequently of great interest in extending the reach of self-interest maximization. They do not, however, establish the adequacy of the self-interest approach to explain behavior in all the different kinds of cases that actually arise, in economics and elsewhere. … The program of replacing the breadth of our values and priorities by a devised complexity of instrumental reasoning (to claim the adequacy of simple and selfish values) may be an exciting intellectual challenge, but it need not be seen as the core of a theory of rational behavior if our values do, in fact, have the breadth that this program tries so much to assume away.” (pp. 24-25)

Whether Sen offers Copernican-level solutions for all of the inadequacies he identifies in modern economic theory will be a judgment for future generations; but Sen’s directions for where such solutions should be sought are well reasoned and attractive from the viewpoint of what they might offer to public policy. Sen’s notion of “rational scrutiny” presents a more appealing construct of society’s component individuals than current approaches, which too often imply a mass of such individuals all asking “what’s in it for me” and stumbling across rights and freedoms along the way as either givens that must be tolerated or inefficiencies that may need to be circumvented in the pursuit of more material gain. Sen’s devastating critique of current uses of RCT as the basis for theory suggests that this “reinterpretation” of things that seem not to fit standard models

“… has given the explanatory role of RCT an almost forensic quality, focusing on the detection of hidden instrumentality, rather than any acknowledgment of direct ethics. Things, it is darkly hinted, are not what they seem (or at least seemed to simple minded observers like Smith and Kant).” (pp. 28-29)

Ultimately, much more is at stake here than money: by basing major political, economic, and legal prescriptions on defective formulations of the RCT model, we have assumed away a great many of our most important values. As economic teaching and the justification of public policy continue to rely, reinforce, propagate, and market themselves on the basis of such assumptions, those aspects omitted from the calculus may well struggle to survive in our society.

Further emphasizing this point, economists generally ignore considerations of freedom in their analyses; but if pressed, all aspects of freedom will tend to be reduced to an economic concept of well-being. Sen attacks this reduction, at both the individual and social levels. At the individual level, a traditional economist might say, “If your well-being (almost exclusively defined in monetary terms), is better, that entails you have greater opportunity, so you must have more freedom.” Opportunity is generally measured in terms of the “best option,” thus reducing increasing opportunity to the maximization problem that Sen has already identified as flawed. Sen further challenges such reductions by arguing that freedom cannot be fully reduced to well-being. He believes one can relate freedom to well-being but requires this characterization to use a broader implementation of well-being than usually appears in practice. Sen provides insightful comments on how this integration should take place, at the social level, through the modification of the general context of cost-benefit analysis, and at the individual level, through an illuminating discussion of the relationships between the choices of rights and what might result from use of the self-interest maximization under rational choice theory.
Sen’s volume transcends being an outstanding and effective discourse on the inadequacies of many economic practices when his discussion develops the link between rationality and freedom. This discussion, put in the context of combining his critique of rational-choice theory with an extensive discussion of the key tenets of social choice theory, demonstrates that addressing these criticisms constitutes something more than a series of academic exercises. In this sense, Sen moves from a critique of the micro-level foundations of economics that relates to rationality and freedom to a more macro-level critique of the mechanisms used to create social policy.

Social choice theory, which can be seen as a bridge between economics and politics, raises the individual maximization problem to the social level. In traditional economics, there are only individuals or individual business entities, which engage in cost minimization and profit maximization. Beyond issues such as pricing power, structures such as corporations are largely indistinguishable from sole proprietorships. Social choice theory recognizes the aggregation problems that arise when the political (or corporate) area of economic behavior is included. The question becomes: How can all the individual welfare functions be aggregated into a common, or “social,” welfare function? Or, more importantly: What mechanisms exist by which we can maintain key criteria (Arrow’s conditions in the Impossibility Theorem are the premier example) and discern these individuals’ preferences so that policy can be chosen and/or evaluated?

Many economists and other business theorists operate as if Adam Smith’s “invisible hand” indicates that, if each individual maximizes his or her welfare, that will lead, “as if guided by an invisible hand,” to maximizing the social welfare function. Unfortunately, traditional economists add to the problematic nature of this assumption by ignoring complications like process and other issues, as indicated earlier. But Adam Smith’s views were not so simplistic and Sen insists not only that we recognize this further complexity but goes on to show that Smith was right to introduce further complications. Meta-goals and meta-ranking structures are thus presented as a way not only to solve difficulties at the individual maximization level but at the social level as well. Such approaches do not necessarily represent the views of Smith, but Sen provides a convincing demonstration of how such approaches can better preserve the integrity of principles we value than does the current practice.

Sen points out how economists might broaden the way both freedom and well-being are analyzed in order to avoid a number of pitfalls implicit in current practice. For example, traditional economists tend to focus only on dollar losses and people’s reactions to these losses, under assumptions of completeness in both preferences and information. Sen argues that there are other quantitative things that should be considered. He demonstrates that, in societies in which there is substantial gender inequality, men and women perceive similar deprivations much differently—with women perceiving many deprivations, such as the loss of a spouse, to be much less burdensome than men. He also illustrates the necessity of broadening analysis beyond such completeness requirements and suggests such additional information could be employed to enrich the results obtained through current social choice methods.

In aggregating individual preferences in welfare economics and social choice theory, economists tend to be uncomfortable with two issues: (1) interpersonal comparisons of utilities and (2) extremely subjective things such as “mental reactions.” Economists stay away from these difficulties by running behind the shield of money, or at least monetary valuations, and introducing
many restrictions on individual preferences, such as avoiding assigning weights to different individuals’ preferences. Sen’s analysis not only demonstrates the inadequacy of the shield, but provides a framework whereby such a shield in unnecessary. His conclusions that other procedures can be incorporated into social choice mechanisms and that such changes could substantially improve both the treatment of aggregation issues and the consideration of freedom are refreshingly positive pronouncements in what can be a pessimistic and cynical aspect of an already “dismal science.” Sen cautions, however, that:

“A full axiomatic determination of a particular method of social choice must inescapably lie next door to an impossibility—indeed just short of it. If it lies far from an impossibility (with various positive possibilities), then it cannot give us an axiomatic derivation of any specific method of social choice.” (p. 74)

Arrow’s criteria in his Impossibility Theorem are: 1) Pareto efficiency (that changes are desirable to the extent that any individual is made more well-off while no other individual’s well-being is diminished), non-dictatorship, independence (preferences among alternatives depend only upon the alternatives), and unrestricted domain (requiring that social preference must be a complete ordering with full transitivity encompassing all conceivable sets of individual preferences). Sen’s analysis thus warns us that the path to a solution wherein these conditions are met will be a difficult path to find:

“The axiomatic derivation of a social procedure must lie between an impossibility on one side and an embarrassment of riches on the other side.” (p. 95)

Reducing the intangible forces at play in the problem to manipulable axioms trades off with the ease at finding a solution that does not present an impossibility. Finding the balance along this road holds the promise of producing more rewarding policy decisions as well as providing unique insights into the concept of freedom.

Broadening the concepts of freedom and well-being beyond the way they are normally dealt with by economists will be difficult, and not simply because it may involve re-examination of many fundamental economic principles (as mentioned earlier). It is easy to imagine that the demands, both in terms of information and in terms of producing results that do not suggest a lack of objectivity, will be substantial. A traditional economist might argue that such demands constitute the Achilles heal of Sen’s proposals—that Sen’s suggestions bear more resemblance to what a modern-day adherent to German Historical School of economic thought might require. Such a traditional economist might simply say Sen’s data demands are unreasonable and ask what would be sacrificed if the current practice were to continue. Such a response seems to miss the point of Sen’s criticism. As he reminds us repeatedly throughout the book, we operate in a world of uncertainty and incomplete information. The framework we currently use does not function well in such a world, and Sen's suggestion is to abandon the practice of either reverting to Ptolemaic economics or assuming away this uncertainty and incomplete information. In addition, Sen would probably tell such an individual that his or her journal articles may not lose much but “we” will likely lose our freedom if we base it on such analyses because our conceptions and values are broader than the usual models accommodate.

Sen repeatedly deals with the inadequacies of various approaches to addressing the liberal paradox:
how to provide for even a minimal amount of liberty if Pareto efficiency is required of social choices. Sen’s key insights derive from focusing on the fact that liberty has both opportunity and process aspects and that neither may subsume the other. While Sen insists that economists are essentially stuck in a defective paradigm in their insistence on reducing everything to variations of a radically oversimplified RCT, he does not let philosophers and others who focus exclusively on the normative use of rational choice off the hook. He says that many in these fields have erred in the opposite direction from economists, who have dismissed the process aspects of freedom. Many in these more normative disciplines have focused exclusively on the process aspects of freedom and virtually ignored the opportunity aspects—to the detriment of the real world relevance of their (normative) theories. Ultimately, Sen demonstrates that social choice theory offers the most robust framework for addressing the paradox and that informational broadening can present a sensible way for this enrichment to occur.

As with many of Sen’s presentations in the volume, the criticisms are more definitive than the solutions, although Sen is introspective enough to alert the reader to this issue. Lest a critic focus too much on this potential shortcoming, Sen recognizes the significance of simply having the discussion. As such, the exploration of ideas presented in the book represent a significant portion of the book’s value. As Sen concludes:

“The interest in these formalities lies, ultimately, in the more basic reasons that make freedom so important in human life. Axiomatic scrutiny is only part of this reasoning.” (p. 695)

Amartya Sen’s *Rationality and Freedom* is the type of profound work that only appears once or twice in a generation. We strongly recommend it to everyone who works in any discipline that makes use of any of the concepts discussed. Economists, philosophers, and policy makers will find this book of enormous value.

James E. Roper  
Michigan State University

David M. Zin  
Senate Fiscal Agency, State of Michigan

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