

# Economics and Ethics: Heritage of Amartya Sen

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## Abstract

Amartya Sen is currently working on enriching the discipline of economics through the introduction of new propositions. One of these propositions, developed by himself and based on Adam Smith, is an approach to economy in harmony with ethics. According to Sen, economy has two separate origins; engineering and ethics. For him, no example of two forms, such as ethics and engineering, can be considered to be completely pure in any sense. The real problem in economics is the problem of balance between these two approaches. According to Sen, many spokespeople advocating an ethical approach, from Aristotle to Adam Smith, have also shown a deep interest in various aspects of engineering within the general frame described by ethical reasoning. For this reason, these two origins should be balanced which means to review the concepts of the discipline; among them being rationality, utilitarianism, and Pareto Optimality. The review or criticism of these concepts is not intended to unsettle the orthodox/prevaling approach of economy, but is rather an effort to sort out the conflicting points within the discipline and to search for ways to increase functionability. Along with Sen's work, the study has been strengthened through the inclusion of other works that refer to the relationship between ethics and economy in an attempt to see the objective of Sen's ethics based argumentations. Thus, the objective of Sen's ethics based proposition is to develop the discipline within the contexts laid out by the orthodoxy and then to expand this discipline to as many other social sciences as possible. With this in mind however, Sen's proposal is still quite far from being a proposition or argument developed as part of the heterodoxy.

## Key Words

Amartya Sen, Ethics, Orthodox Economy, Rational Behavior, Utilitarianism.

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"It is highly possible that when one mentions economics, the market economy comes to mind and when one mentions ethics, altruism comes to mind. How will expanding the area of intersection between the legitimacy of ethics in economy increase the chance of success of the social system? The interaction between ethics and economy expands this intersection rather than shrinking it." (Demir, 2013a, p. 244)

The discipline of economic, whose development traces its beginnings as a sub-branch of ethics, has been reduced from the science of wealth to political economy and then to rational choice theory. As such, it has been removed from among the branches of philosophy, political science, and social theory. This reality indicates that the relation between economics and the social sciences is on the decrease, while at the same time becoming more technical, thereby bringing it closer to the natural sciences. While the orthodoxy of the discipline (Yılmaz, 2012, pp. 4-5) has been formed by means of this historical development process, it now has made its way into modern period carrying with it the claim of being both "universal" and "objective."

The orthodoxy of the discipline ostracizes ethics under the claim that it encompasses value judgments by which it removes the discipline from scientific criteria. When ethics finds itself in the agenda of the literature on economics, it is met with doubt and contempt on the basis of the subjective evaluations and individual opinions that come to the forefront. For the modern economist involved in the orthodoxy, ethics is an empty, meaningless concept devoid of any inherent value. For this reason, it can be said that most attempts to place ethics into the theory of economics had been unsuccessful, and that furthermore, the prevailing orthodox theoretical approach to economics had no problem disregarding such efforts until recently (İnsel, 2000, p. 7).

Moreover, Sen's ethical economy proposal has made a new, long-neglected contribution to the relationship between ethics and economics. The level of this contribution should therefore be discussed, making the aim of this study to point out the debated aspects of Sen's significant approach to ethics-economics.

This work mainly discusses the place of Sen's proposal, which he developed in parallel to the ethics-economics proposition, within the discipline by referring to the two origins of economy, rational behavior and utilitarianism. Therefore, this work does not aim to discuss all of Sen's ideas, rather it intends to delve

into the debated aspects of Sen's innovative ethical economics proposal whose impact is clearly visible within the discipline of economy.

### **The Two Origins of Economics**

According to Sen, economics is related to two origins, both of which are related to politics but which also come from two separate traditions themselves. One of these is "ethics" and the other is "engineering" (Sen, 2004). Ultimately, economics is related to ethics and political research, making it impossible to isolate economics from ethics and politics. It cannot be said that the engineering, the other origin of economics, is certainly related to ethics, dealing with such question as: "how should a human being live?" The engineering approach is related more with "logistics," which can be described as the management, organization, and planning of the activities that provide goods and services. On the one hand, Sen expresses that ethical based explanations of human behavior have a place in modern economics while on the other hand, he states that the engineering approach can also contribute to the discipline.

According to Sen, it is clear that, when its nature is taken into consideration, both origins of economics have been discussed by economics philosophers. While Adam Smith, John Stuart Mill, Karl Marx, and Francis Edgeworth's works are related to ethical issues; William Petty, François Quesnay, David Ricardo, Augustine Cournot, and Leon Walras's works are related to matters of logistics and engineering (Sen, 1990, pp. 2-6). Citing philosophers from the pioneers of these two traditions, Sen says that he was influenced more by those who were interested in ethics (Klamer, 1989, p. 141).

It can be said that the science of economics, with its expansionist character, is directed at strengthening its attribute of being the "science of sciences" within the social sciences by including those areas the economics orthodoxy has thus far neglected while preserving its engineering aspect and becoming open to ethics, and even to philosophy, through Sen's suggestions. This expansion of economics, while protecting its engineering aspect, means that "economics as a science" encompasses the areas of interest of "economics as an art," and

that there is no subject not under the dominance of the orthodoxy. Therefore, through Sen's adoption, and even through the encouragement of the "benefits" of the engineering approach of economics, the argument of "methodological imperialism" or "economics imperialism" that has been in question since the 1970's has not been limited to political science and social theory, but has both expanded into and affected philosophy.

In accordance with these two main directions, it is possible to state that there are two types of "science philosophy" which have appeared since the last quarter of the 19<sup>th</sup> century. The first type of science philosophy is the positivist science philosophy, whose roots may be traced to Bacon, being nurtured by Locke, Hume, and Comte until reaching Mach, under whom they have come into fruition in the form of modern logical positivism (Schlick, Carnap, etc.). In the tradition of this scientific philosophy, only one science; that is, "the unity of science," is dominant and this means the uniformity of the concepts of "science" and "natural science." The roots of the second type of science philosophy trace themselves to the tradition of Ibn Khaldun and Vico, continuing under Herder and The German School of History (Ranke, W. Humboldt, Droysen, etc.) until they reach Dilthey via German Idealism (Schleiermacher), the New Kantian Heidelberg School (Rickert), and modern hermeneutic philosophy (Gadamer). This tradition is the historical science philosophy that discusses a second science next to "natural science," working diligently both to establish it and build its credence (Özlem, 2008, pp. 40-50).

Both references to the origins of economics turn economics into a social science dependent on the natural sciences while invalidating the distinction between the spiritual sciences and the natural sciences, a distinction which Dilthey has diligently tried to assert, as mentioned above. As a result, after all the arguments starting with "methodological imperialism," continuing with political science and social theory, extended onto a philosophical plane (natural sciences-spiritual sciences) and have become a dependent variable of economics. Consequently, by stressing the two origins of economics, Sen's proposal of economics strikes a balance between both approaches and is far from contributing to the above-mentioned arguments being carried out on

a philosophical basis. It is clear that Sen's contribution is in the domain of "methodological imperialism."

### **Rational Behavior**

The concept of rationality is the preeminent concept of the neo-Walrasian theory of the neoclassical economics theory which established its dominance after the 1950's. This concept, considered the "hard core" of economics, is not often questioned because it constitutes the most fundamental hypothesis of the discipline. Interestingly, whereas the basic objections to rationality are expected from heterodox schools, paradoxically, the objections come from within the orthodox neoclassical theory. Yet, these objections do not question the central position of the concept in the theory which confines itself to a very limited definition, but rather they consist of extending, enriching, and opening this concept to modern arguments (Yılmaz, 2009, pp. 143-144).

Those who would like to introduce a new proposition or concept to the field of economics must face this concept because of rationality's holding a central position in the discipline. For this reason, rationality is another important subject Sen has discussed in the interaction of ethics and economics. In his book "Rational Fools: A Critique of the Behavioral Foundation Theory," he sees "the purely economic man as a social moron" while also speaking about the impossibility of such a man (1977, p. 336).

This approach to rationality is built upon the condition of an external convenience between the choices that an individual makes combined with his/her personal interest. Yet, neither internal consistency nor maximizing personal interest of rationality (Demir, 2013b) sit on the same logical base. With regards to its historical origins, the interpretation based on the personal interest discourse of rationality has a long-standing history (Hirschman, 2008) which has, for a couple of centuries, become one of the main features of the orthodox thought within the theory of economics.

Also, the rationality approach, seen as the maximization of personal interest, is also the source of the “Das Adam Smith Problem” discussion, a point present in the theory of economics for a long time. Ultimately, this discussion is one about the nature of Smith’s conception of the individual within the arguments of economics (Teichgraeber III, 1981; Wison & Dixon, 2004; Yilmaz, 2010, p. 67). The “capacity” of one person tells the alternative composite functions that the person can achieve. In this situation, capacity is a type of freedom; specifically, it is the freedom necessary to achieve the alternative composite functions, or to put it informally, it is the freedom to realize various lifestyles (Boz, 2009; Sen, 2004, p. 108).

According to Sen, the famous Smith quotation repeated by his supporters today, “We owe our food to the butcher or the beer maker looking after his own interest rather than ours. We do not appeal to their humanity but to their ‘self’ love; when we are talking to them we talk about our needs” is misinterpreted. What Smith wants to do is very different from what his interpreters understand. Smith has never placed a superior role on personal interests above other activities (Sen, 1986, pp. 31-34, 1990, pp. 22-26).

Ayşe Buğra also makes similar observations to Sen, stating in her work, *The Wealth of Nations*, that there are sections indicating that Smith does not see the impulse of personal interest as the sole determiner of economic activity. According to her, this discussion has stayed within the Ethical Feelings Hypothesis, evident in Smith’s statement that the impulse of chasing material gain is formed by the corruption of the principle of sympathy. According to Buğra, the problem is the inheritance of the ethical discrepancies by economists that have been left without a solution by Smith passing from *The Theory of Moral Sentiments* to *The Wealth of Nations* (Buğra, 1988, p. 18).

### **Utilitarianism and the Interpersonal Comparison of Utility**

It can be said that the dominant school within the school of economics is utilitarianism. For this reason, Sen subjects utilitarianism argument to a new reading in which he compares it with “the rights hypothesis” of ethics

and justice arguments. After all, what makes Sen unique among the rest of economists is his criticism of utilitarianism since it holds such an important place in modern welfare economics. Another aspect making Sen unique is his inclusion of what is called the rights hypothesis, which is the modern American political philosophy argument, in the modern welfare economics. Amartya Sen received the Nobel Prize in Economic Sciences for his contributions to welfare economics. He widened the narrow description of welfare economics by criticizing the utilitarianism approach which had been in place since James Meade and Lionel Robbins, thereby opening the door for new discussions in the field of modern welfare economics (Atkinson, 1999, p. 174).

According to Sen, the requirements of the evaluation of utilitarianism can be divided into three components. The first being “consequentialism,” where it is argued that all choices (actions, rules, hypotheses, etc.) should be evaluated according to their results -meaning their outcomes- which they manifest. The second component of utilitarianism is “welfarism,” which limits the evaluation of labor in each case to the outcome of benefits (without directly taking into account the use of rights, fulfillment of duties, or the breach of both, etc.). It becomes clear that when welfarism merges with consequentialism, each option needs to be evaluated separately according to the benefits they produce. The third component is the “highest total,” and in order to calculate to total benefit which people have obtained, one needs to add all of them together without taking individual distribution into consideration (which means that total benefit should be maximized by disregarding the extent of inequality in the sharing of these benefits). All three of these components together give us the classical utilitarianist formula, in which each component is evaluated according to the total benefits produced by that individual component (Sen, 1979, 2004, pp. 84-85).

According to Sen utilitarianism has a “sacred” place in traditional welfare economics and that there is a close relationship between the sacred place of utilitarianism and the Pareto Optimum. The “highest total” component, together with Pareto Optimum, are not interested in problems in distribution. The Lionel Robbins approach, which he developed in the 1930’s, stating that, “benefits cannot be compared among individuals” has been accepted by economists (1938, p. 640).

Among economists, those who argue that welfare can be compared, highlight the cardinal benefit whereas those who argue that benefits cannot be compared, highlight the ordinal benefit. Daniel M. Hausman, renowned for his work which could be referred to as the “philosophy of economics,” holds an ordinalist attitude regarding the matter of comparison of benefits (Hausman, 1995, p. 475). Sen, however, makes a very effective argument opposing Robbins and Hausman, believing in the comparison of benefits among individuals. According to Harsanyi, the understanding of individual benefit is also the realization that it does not include equality. Sen sees Harsanyi as the representation of the utilitarian understanding which makes more egalitarian utilitarian comments. There has been further analysis of the Sen-Harsanyi argument both technically and non-technically (McClennen, 1981; Nuna, 1981; Weymark, 1991).

In modern economics analysis, benefit is generally defined as the numeric representation of the observable choices of an individual since it is not easy to measure happiness or desire. The basic formula is as follows: If an individual prefers the x alternative to another alternative (y), that person benefits more from x than from y. The “scaling” of benefits must follow this rule, among others, and in this case confirming that an individual benefits more from x as compared to y is considerably different than saying an individual will chose x if he has to choose between the two (O’Neill, 2001, pp. 63-65; Sen, 2004, p. 85).

According to Sen, one of the greatest handicaps of utilitarian thought is that it tries to remove ethical theories (right hypothesis) from ethics literature. On this topic, Sen wrote a separate work, dedicating it work to John Rawls, who Sen felt to be the closest to the right hypothesis theoreticians (Gilardone, 2013; Sen 2009).

In some of the theories, the modern libertarian theory places the wide groups that consist of rights (from individual freedoms to rights of property) as a political priority above the endeavor for societal objectives (those which include reducing poverty and deprivation). According to Robert Nozick (2006, p. 241), Rawls’ work, *A Theory of Justice*, is a powerful, deep, and professionally prepared wide ranged, systematic work in the field of politics and ethical philosophy, unprecedented since the writings of John Stuart Mill. Sen believes that despite the precedence of the wide range of rights in the modern libertarian theory, the

rights in the Rawls 'freedom precedence' are narrower while at the same time do not reach reconciliation with the power of economic necessities (2004, p. 90). Mustafa Erdoğan states that, in contrast to Sen, not only Rawls, but neither Dworkin nor any of the American libertarian traditionalists which attribute the freedom of expression and freedom of organization as the highest ethical demands, includes economic freedom in their list of freedoms (2013).

As Dominique Meda has shown, actually Rawls's hypothesis is inspired from the methods used in the discipline dubbed *societal choice* or *rational choice* in the USA, which arised from the "science of economics," and not from political philosophy. In his work, *Justice Hypothesis*, Rawls explains that parties are rational beings at the beginning, adding: "The rationality principle, in a narrow sense, should be interpreted as the most effective ability to use the tools to reach the given goals... the Justice Hypothesis, may be the most important section of the rational choice hypothesis." (Meda, 2012, p. 157; Mouffe, 2008).

The concept of Rationality is one of the key concepts in Rawls's hypothesis. He divides the concept into two: rational and reasonable. The "rational" concept is the use of intelligence that stems from logic, which rules the world of senses and the conditional orders. It is the name of the "calculated" movement, and it is the instrumentalist intelligence. The "reasonable" concept includes the perception of intelligence as an objective in and of itself, and not as a tool. In a sense, it is the quintessential "reasonable" one. Rawls argues that the process that should be managed by the "reasonable" concept can be examined by the "rational choice" hypothesis. However, this very hypothesis counts those rational individuals who function in accordance with their tendencies and those who maximize their objectives. As it is seen, a rational-reasonable dilemma arises here which Rawls works to overcome in his second major book, *Political Liberalism*, in which, according to some writers, he abandons his rational choice theory (Ege, 2011, pp. 165-186). Yet even if this is the case, Rawls has still formed an understanding/hypothesis of justice based on economics. For this reason, it can be said that the hypothesis of Rawls stands at a critical point, pertinent both to political economics in general and to ethics, the concept of justice, utilitarianism, and welfare in particular.

## Conclusion

The first stage of Sen's studies is more about technical economics (in his own words, "engineering/logistics"). Later, although his works seem to lean toward heterodoxy, it is clear that he does not waver from orthodoxy. Even though Sen has conducted studies outside of orthodoxy, the dominant approach of orthodoxy shapes the backbone of his studies. For this reason, all of Sen's heterodox works, including his "approach of ethics-economics interaction," can be seen as the expansion of orthodoxy into heterodoxy.

Moreover, Sen has worked to accomplish an economics analysis approach in harmony with philosophy by converging methodological individualism, ethical individualism, and political liberalism. It can be said that, because he was able to conduct an unorthodox research program with a standard methodology, his work was easily accepted by the orthodox/dominant approach of economics. For this reason, Sen is a prominent representative of both the critical and "appropriate" approaches of economics in today's world.

In short, Sen has been producing works particularly in economics and also in the areas of development, political science, and philosophy. However, despite all this productivity and variety in his hypotheses, he has not been able to develop argumentations that shake the orthodoxy of economics. The reason for this is his extreme immersion into the orthodoxy of the discipline and his usage of rational choice in the methodology he conducted, which stems from "methodological imperialism." Consequently, it is clear that the ethics-economics proposition is a hypothesis developed within the context of the orthodoxy for the success of the social system or the market.

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