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[Review of the book *Resources, Values and Development*]

Abstract

[Excerpt] Sen will not let us forget that development economics is a branch of social science. I expect that he will contribute as much to it in the future as he has in the past. For those wishing to join in the study of these issues, *Resources, Values and Development* would be an excellent place to start.

Keywords

development, economic growth, income distribution, poverty, redistribution

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Comments

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Resources, values and development. By AMARTYA SEN. Cambridge, MA: Harvard University Press, 1984. Pp. viii, 547. \$29.50. ISBN 0-674-76525-7. JEL 85-0400

The volume under review, *Resources, Values and Development* is the second collection of essays by Amartya Sen. The first, *Choice, Welfare and Measurement*, appeared in 1982. The present collection consists of twenty essays, eighteen of which have previously been published. Sen says: "These essays are mainly concerned with development economics as it is normally understood . . ." (p. vii). The essays are grouped into five parts: institutions and motivation; isolation and social investment; shadow pricing and employment; morals and mores; goods and well-being. A substantial introductory chapter precedes the collection.

Amartya Sen is a scholar of extraordinary breadth and range. One cannot but be impressed by how much he reads as well as how much he writes. In a compendium of essays such as this, the variety of his abilities is stunningly demonstrated.

He is also an extraordinarily clear thinker and expositor. The mathematician in him makes his everyday English exceptionally comprehensible. To illustrate, in "Poor, Relatively Speaking" he writes:

There is a difference between achieving *relatively less than others*, and achieving *absolutely less because of falling behind others* . . . Your ability to enjoy an uncrowded beach may depend on your knowing about that beach when others do not, so that *the absolute* advantage you will enjoy—being on an uncrowded beach—will depend on your *relative* position—knowing something that others do not. (p. 328; emphasis in the original)

Can any reader fail to grasp the definitions of the different concepts or the distinctions between them?

Rather than try to review twenty essays—an impossible task in the space available for this review—I shall cite a few main themes, in each case relating Sen's treatment of them to the concerns of development economics as I understand that field.

The first theme is institutions. Essay 1, "Peasants and Dualism with or without Surplus Labour," is perhaps the work of Sen's which is best known to development economists. In this essay, he distinguishes "zero marginal product of labor" from "surplus labor." Not only does he draw a logical distinction between these concepts but he shows that neither is necessary nor sufficient for the other. This essay and some of the others that follow (e.g., Essays 2, 6, and 9) illustrate the power of price theory for understanding and evaluating the outcomes emerging from different institutional arrangements in developing economies.

Another recurring theme is planning, specifically, how to do it. Essay 5 inquires: "What is the social rate of discount?" Essay 8 discusses how to integrate the social rate of discount into social cost-benefit evaluations. Essay 11 examines how to plan employment and why. Sen concludes the latter of these essays with characteristic clarity and wit: "Happily, silence and babbling are not the only possible approaches to employment planning" (p. 270). I agree with him wholeheartedly.

Another major theme is welfare economics. Here, I shall quote from an earlier writing of Sen's (1973, p. 7): "The almost singleminded concern of modern welfare economics with Pareto optimality does not make that engaging branch of study particularly suitable for investigating problems of inequality." But in the present volume, he takes welfare economics considerably farther. Essays 3 and 16 discuss the notion of "cooperative conflicts" as applied to firms, families, and societies. What Sen means by this is clearly articulated:

Both you and I may benefit from having some deal rather than none, and each may prefer having either of the deals, *A* and *B*, to no deal at all, but *A* may be better than *B* for you and *B* better than *A* for me. In the choice of *either* deal over *none*, our interests are congruent. In the choice *between* deals, they conflict. The situation in game theoretic terms is one that J. F. Nash, the mathematician, has called a "bargaining problem." (p. 96)

Sen is led from this to consider alternative situations, neither of which is Pareto-superior to the other. Comparisons of such situations form the core of Essays 14, 17, and 18. Sen talks in these essays about what to measure (e.g.,

absolute poverty or relative inequality) and how to measure it in such contexts as assessing who benefits from economic growth. Happily, Sen's 1973 postmortem of welfare economics is obsolete today, due in part to Sen's own contributions to the new welfare economics as represented by these essays.

Another theme is: "What is development?" Sen takes us into philosophical matters not ordinarily dealt with by economists. Essays 12 and 13 offer a good introduction to this subject. In these essays, he raises such important issues as rights and entitlements, characteristics of goods versus capabilities of acquiring those characteristics, equity and needs, and utilitarianism versus welfarism. In his analysis of famines in Essay 18 (carried over also into Essay 20), he develops a food entitlement approach, which he contrasts with the more usual food availability approach. Some famines occurred, Sen tells us, because although total food production remained high substantial numbers of people lost their ability to secure this food, either through purchases in markets or through public mechanisms such as food rations. Sen has never been one to accept the optimality of an unfettered market economy. His analysis of famines strongly argues for government involvement in development processes, the market economy having led in a number of situations to mass starvation. One can hardly read Essay 18 or the book on which it is drawn (Sen 1981) and conclude otherwise.

A final theme is "The Future of Development Economics." In Essay 20, he defines the field as being concerned with expanding the economic capabilities of persons in an economy. Essay 19 asks: "Development Economics: Which Way Now?" Sen thinks that the traditional focus of development economics on processes of capital formation was appropriate and remains so and urges the field to build on existing models of processes of capital formation. In addition to the traditional concerns with savings and investment, he calls for development economists to turn their attention to social change and to the political complexities of achieving development.

Looking ahead, I have no doubt that the field of development economics will continue to develop. Where I see it going is to synthesize the dynamics of growth with welfare economic

concerns. At the analytical core will be the constrained choices made by households and firms. This direction will take the field into analysis of growth, relative income inequality and absolute poverty, employment, capital formation, and development policy—the traditional stuff of development economics. Sen would have us address these concerns but go further, analyzing development in terms of entitlements, capabilities, ethics, political economy, and many other nontraditional subjects (nontraditional, that is, to the field of development economics).

I have one minor quibble. Sen is wrong when he says that this volume addresses the field of “development economics as it is normally understood.” He has expanded the domain of development economics far beyond its ordinary boundaries.

Sen will not let us forget that development economics is a branch of social science. I expect that he will contribute as much to it in the future as he has in the past. For those wishing to join in the study of these issues, *Resources, Values and Development* would be an excellent place to start.

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