The Capability Approach and the Political Economy of Human Development

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Abstract and Keywords

Classical political economists from Adam Smith to John Stuart Mill analysed how incomes and human development can be augmented by appropriate policies in an economy characterized by monetary exchange and private property in means of production. Marx and Engels took this analysis forward by questioning the roles of human institutions such as the state, property relations, and class configurations in alienating people from their true potential as free individuals. The capability approach pioneered by Amartya Sen has enabled analysts to examine critically the effect of such institutions as the family and the community on the development of capabilities of people subjected to their authority. Combining the methods of critical political economy and the capability approach can enrich the apparatus for scrutinizing the role of human institutions in advancing or retarding human freedom. The argument is illustrated with examples from the state of healthcare in developing countries.
Keywords: critical political economy, capabilities, healthcare, capability approach, human institutions

I. Introduction
AMARTYA Sen has pioneered the patient approach to human development of continually searching for ways in which the capabilities of *homo sapiens* can be extended to their fullest potential. He has also used this approach to provide detailed analysis of capability deprivation, especially in the poorer countries of the world. In a related effort, he has expanded the meaning of rationality beyond the typical Chicago School notion that it is self-interest, defined quite narrowly, that drives human beings and provides the structural and institutional features of society (Sen 1977, 1993a). While he focuses on individuals as the agents of social activity, the individuality he works with is social individuality (Bagchi 1998a). In yet another strand of his work, along with such philosophers as Hilary Putnam, he has broken (p.32) down the positivist binaries of fact versus value, and the conventional academic binaries of theory versus practice (Sen 1982: part 3; Putnam 2002). The triptych of books he edited jointly with Jean Drèze have the title *The Political Economy of Hunger* (Drèze and Sen 1990–1). I want to explore further the intimate connections between the capability approach and the political economy approach, which was the staple of classical economists from William Petty to Adam Smith, John Stuart Mill and Karl Marx before the rather peculiar separation of economics from politics and philosophy took hold in mainstream economics. I will use the term “critical political economy” to signal the point that the genre of work I am talking about brings a critical attitude to all human institutions, such as the state, the nation, the family, the community and the international political order. The two greatest practitioners of critical political economy, Marx and Engels, regarded the earlier corpus of political economy as an analysis of the capitalist system, and Marx regarded most of his own work as a critique of that corpus. I am following that lead in using the epithet “critical political economy” (Marx 1859/1970, 1867/1887). Critical political economy addresses questions which do not presuppose that capitalism is the only possible human destiny.

The capability approach and critical political economy share a common genealogy from Aristotle to Adam Smith, Mary Wollstonecraft, John Stuart Mill, and Marx and Engels. The
purpose of the present chapter is not to trace that genealogy but to show the ways in which a combination of the two approaches can enrich the analysis of some of the most pressing issues facing students of the human sciences.

II. The Analysis of the Complexity of Human Capabilities and the Dialectics of Changes in the Corpus of Critical Political Economy

In their “Introduction” to *The Political Economy of Hunger*, Drèze and Sen write:

> the dominant tradition of economics is much narrower now than it was in the classical political economy of Adam Smith, Robert Malthus, David Ricardo, Karl Marx, John Stuart Mill, and others. Thus the old and archaic term for economics as such is also a reminder of the breadth of the earlier tradition of the subject. Many of the analyses of the kind that are now seen as interdisciplinary would have appeared to Smith or Mill or Marx as belonging solidly to the discipline of political economy as a subject.

(p.33)

It does not really matter whether political, social, and cultural influences on economic matters are counted inside or outside of the discipline of economics, but it can be tremendously important not to lose sight of these influences in analyzing many profoundly important economic problems. (Drèze and Sen 1990: I, 2–3)

Sen has done much to refresh the analytical and conceptual apparatus required for constructing a full-blown, critical political economy. On the other side, the critical political economy approach can bring into focus certain issues that have not been a major concern of social scientists who follow the lead of Sen, although Sen's own work has addressed some of those concerns. One of the best expositions of the critical political economy approach was given in Marx (1859/1970: 205–7):

> When examining a given country from the standpoint of political economy, we begin with its population, the division of the population into classes, town and country,
the sea, the different branches of production, export and import, annual production and consumption, prices, etc.

It would seem to be the proper thing to start with the real and concrete elements, with the actual preconditions, e.g., to start in the sphere of economy with population, which forms the basis and the subject of the whole social process of production. Closer consideration shows, however, that this is wrong. Population is an abstraction if, for instance, one disregards the classes of which it is composed. These classes in turn remain empty terms if one does not know the factors on which they depend, e.g., wage-labor, capital, and so on. These presuppose exchange, division of labor, prices, etc. For example, capital is nothing without wage-labor, without value, money, price, etc. The seventeenth-century economists, for example, always took as their starting point the living organism, the population, the nation, the State, several States, etc., but analysis led them always in the end to the discovery of a few decisive abstract, general relations, such as division of labor, money, and value. When these separate factors were more or less clearly deduced and established, economic systems were evolved which from simple concepts, such as labor, division of labor, demand, exchange-value, advanced to categories like State, international exchange and world market. The latter is obviously the correct scientific method. The concrete concept is concrete because it is a synthesis of many definitions, thus representing the unity of diverse aspects.

The primitive analytical elements of critical political economy are real human beings with their lived experience and not some construct called Western man or Eastern man (Marx and Engels 1845-6/1976, esp. 41–3), classes determined by the relative degrees of control over the means of production, states that organize the means of coercion and security needed to overcome irreconcilable private interests, communities to which particular groups of people owe their allegiance or are supposed by others to owe such allegiance, the nation as the overarching suzerain over communities providing legitimacy to the state, relations of dominance and subordination in the international economic and political order—relations that are often called colonialism and imperialism.
Critical political economy recognizes that class and community structures can change with time, as do the nature of the other elements that go into its making (for expositions of some of these elements, see Sweezy 1946; Ball and Farr 1984; Foley 1986; Wright 1997). But the process of change in the long run is a dialectical one, in the sense that the structural relations in one epoch or one segment of reality are themselves changed by seismic changes in internal or international economic and political factors, so that no linear dynamics can be traced out by simply examining some “purely economic” equations. But in an ideal-typical capitalist system, there are some regularities that keep cropping up during the period in which that system has come into dominance. I will sketch only a few of these regularities.

Sen's method has throughout been to recognize the complexity of human relations and the complexity of the notion of rationality that must inform judgements about human welfare and policy analysis. As I have pointed out (Bagchi 2000), the young Marx and Engels had also a conception of the potential of human beings and their thrust towards the realization of that potential, which anticipates many of Sen's concerns about freedom as the ultimate frontier of human capabilities.

Marx and Engels (1845–6) regarded the self-activity of labor as one of the defining characteristics of human beings who have overcome alienation and have become free (for an exposition of the Marxian notion of alienation in all its dimensions, see Ollman 1971). The human struggle for freedom is also a struggle to master nature while recognizing that human beings are themselves part of nature. Freedom from worries about animal needs such as adequate food and shelter requires conscious labor and is one of the major propulsive forces of history (Cohen 1988). The human capabilities whose nature Sen has done so much to illuminate are expanded by the growth of productive forces. But that growth is conditioned by the social relations in which human beings are involved once they have acquired tools and culture that distinguish them from the great apes. One of the chief concerns of critical political economy is to illuminate the ways in which productive forces shape human relations and are in turn shaped by them. Whether this relation is harmonious or conflictual depends on the historical context.
Marx and Engels were highly critical of the capitalist system even though they regarded it as an advance over all preceding socio-political systems. That criticism was based on several grounds. First, capitalism impedes the self-development of human beings. Second, it impedes the development of productive forces and leads to such a distribution of the social product as to throttle the human potential of the true workers. All inegalitarian social systems require a coercive state apparatus. But since capitalism is based on atomistic competition driven by the profit motive, it also pits state against state and provokes wars as a means of competition.

Sen’s “The Profit Motive” (Sen 1983) is devoted to the examination of the ethics and consequences of the uninhibited pursuit of the profit motive. Adam Smith’s example of the baker, the butcher, etc. providing us with our daily bread and meat not because of their benevolence but because of their self-interest is quoted ad nauseam by devotees of the unregulated market to prove that markets driven by the profit motive always produce the best of all possible worlds. Sen challenges that view, partly because it is a selective view of the way that individual actions (p.35) collectively produce results not intended by any particular agent. Market exchanges can also produce undesirable results that no particular agent could have foreseen. Smith’s “invisible hand” (a widely misunderstood metaphor, as shown by Muller 1993: ch. 9; Rothschild 2001: ch. 5) is only one of many examples of unintended consequences of individual or collective action. The paradox of thrift, analyzed by Keynes (1936), is another example of the folly of everybody trying to save when unemployment and underutilization of capacity are rife.

The so-called second fundamental theorem of neo-classical economics, namely, that “every Pareto optimal outcome can be reached through some competitive market equilibrium corresponding to some initial distribution of ‘endowments’ or resources owned” (Sen 1983: 94), is based on the assumption, inter alia, that the production or exchange process must be characterized by constant returns to scale and the absence of any externalities. But the endowments may be such that the Pareto-efficient equilibrium leaves some persons wallowing in obscene luxury while others are starving.¹ Sen (1983: 94)
points out that an ethically attractive competitive equilibrium may “involve a political process—indeed, quite possibly—a totally revolutionary one requiring a thorough redistribution of the ownership of means of production”.

Sen goes on to argue that competitive markets cannot support the exchange of “positional goods”, that is, goods whose enjoyment depends “on the relative position of a person vis-à-vis others, e.g. a person holding an eminently position in a job hierarchy, or—to take a different type of example—having access to an uncrowded beach” (Sen 1983: 96). To take a contemporary example, Bill Gates, one of the richest men on earth, and George W. Bush, the most powerful political figure in the world, cannot simply exchange their positions by deals in the market. Sen also criticizes the views of free-market advocates such as Robert Nozick (1974), who base their advocacy on the prior right to private property regardless of the disasters that may result from the pursuit of the profit motive based on unregulated private property.

Critical political economy takes on board all of Sen's criticisms of the profit motive as the guiding principle of human activity. It would add basic analyses that Marx and Engels have made of the working of an ideal-typical capitalist system. In their definition, capitalism separates persons into two radically different groups, the first being the owners of means of production, the second being hired by the first to work for a wage in order to produce marketable commodities for the first group to make a profit from. Capitalism is not just any system in which goods are exchanged for money.

Once the system has come to dominate economic and social life, capitalists have little alternative to pursuing profit as their principal goal, as otherwise they (p.36) might be defeated in the jungle of the market place and sink into the condition of the propertyless proletariat. On the other hand, since the capitalists control all the means of production, workers have to work for those capitalists and have to compete with one another in order to survive (Marx and Engels 1845–6/1976: 34–92; Marx 1867/1887: parts 2–6).

Marx also embedded economies of scale in production, business organization, research, marketing and finance into his account of the way in which capitalism develops. His concepts of “concentration of capital”, when a firm grows by
expanding its own activities and thereby becomes economically stronger than other firms, and the “centralization of capital”, when a firm grows by taking over the businesses of other firms, anticipated by almost a century the mainstream economists' awareness of, and the empirical evidence for, the fact that competition among the few rather than the continuum of agents underlying the pure theory of Walrasian competitive equilibrium is the norm of capitalism and provides the major dynamic forces propelling it. Schumpeter (1950), Steindl (1952/1976) and Baran and Sweezy (1966) took this line of analysis further. In the context of the steeply rising inequality of income and wealth from the 1980s, this genre of work has acquired added significance (Bloch 2000).

More generally, many publicists, novelists, poets and doctors in the nineteenth century were aware that while the Industrial Revolution was increasing the productivity and average incomes of people in the leading industrializing countries, such as England, Belgium, Germany or the USA, not everybody's income was increasing and more importantly, the quality of life of even those whose incomes were increasing was deteriorating in important respects. Marx and Engels were among the leading analysts of the contradictory directions in which human development was pulled by the Industrial Revolution (see e.g. Engels 1845/1969). In fact, in England, the USA and Canada, the longevity and/or heights of men and women declined in some of the peak decades of industrial advance and in many cases literacy, especially that of women, declined in those years (Bagchi 2005: chs 7 and 8). Moreover, in the areas that were fully or partially colonized by the European countries, the nineteenth century witnessed huge famines, which were most virulent, ironically enough, in the decades in which Western Europe and the overseas offshoots of Europe were undergoing an epidemiological transition (Bagchi 2005: ch. 18).

The evolution of modern capitalism has also been associated with massive market failures—markets that do not exist or are characterized by private provisioning at a cost that the poor cannot afford. Markets that have been called “obnoxious” (Kanbur 2001) such as those in opium, tobacco and tobacco products, and arms, grew under the patronage of
states strongly supportive of profit-driven merchants and producers.

Market failures and the virtual absence of public provisioning for public goods in colonial countries left the subject populations poor, illiterate and (p.37) short-lived. Although the situation improved after these countries were liberated, social constraints and niggardliness of public expenditure soon slowed down or even reversed the gains in education and health. The work of Sen and his collaborators has focused on both these areas of capability deprivation. Students of critical political economy would claim that these cases of obnoxious, malfunctioning or absent markets were not mere happenstance but were systematic outcomes of the way states influenced by profit-making merchants or by the elite in ex-colonial countries shaped public policies. Britain, the most powerful nation in the world at the time, forced a war on China in 1841 because the latter refused to legalize the import of opium, in which British merchants were the principal agents. Arms were used by slave traders in Africa both to capture Africans to be shipped across the Atlantic and as an item of merchandise coveted by the African intermediaries in the trade. Arms still constitute one of the major items of merchandise, with the United States the top trading nation in that sector.

I shall very briefly sketch the way oligopolistic markets and failures of public provisioning have gravely endangered the state of health of some of the poorest people in the world. The epidemiological transition in the affluent countries of today took place roughly between the 1870s and the 1930s. The major facilitators of this transition were better public sanitation, the provision of clean water, a cleaner urban environment, higher levels of nutrition, and preventative measures against killer diseases such as smallpox, typhoid, cholera and plague (Bagchi 2005: ch. 7). Medicines, especially those produced for profit, played little role in this. The situation began to change with the discovery of sulpha drugs in the inter-war period. But the real growth of private medical companies, led by such giants as Pfizer, Hoffman-La Roche and GlaxoSmithKline, occurred after World War II. The rise of antibiotics from the 1940s and biotechnology products from the 1980s on the one hand, and the so-called lifestyle diseases
of the better-off sections of population on the other, made
drugs and pharmaceuticals companies some of the most
profitable enterprises in the world.

The delivery of health care involves asymmetric information,
moral hazard, adverse selection and opportunistic behavior to
a much greater extent than almost any other service, a fact
that has been brought out by economists such as Kenneth
Arrow, Joseph Stiglitz and others. Almost all Western European
countries and Canada and New Zealand, not to speak of
countries of the erstwhile Soviet bloc, had instituted a health
service of one kind or another. Among the affluent countries,
the USA is practically alone in leaving most health care and its
financing in the hands of private corporations. But governing
the market in health care, so as to ensure health for
everybody, has proved to be very tricky everywhere and
impossible in poor countries (Bagchi 2007b). The problems
stretch from the lack of incentive for big drug companies to
spend money on R&D for treating the diseases of the poor; and
even more to find vaccines or preventative for various new
diseases such as HIV/AIDS or new forms of old diseases, such
as drug-resistant malaria, to their excessive allocation
of funds for advertising compared with R&D and careful
clinical testing (Hollis 2007; Sloan and Hsieh 2007). And these
problems are compounded by the systematically opportunistic
behavior of drug companies, charging excessive prices to the
unwary or unprotected, trying to suppress unfavorable results
of drug trials, pretending that slight variations in formulations
without additional therapeutic value are an improvement that
should be protected by patents and for which much higher
prices should be charged, and corrupting doctors with various
benefits, including outright bribes, to prescribe useless or
positively harmful drugs at exorbitant cost (Angell 2004).

The current patent regime, encoded in the TRIPS clauses of
the WTO agreement, and proving to be a deterrent both to
innovation and diffusion of new drugs (Chaudhuri 2005), was
the result of many years of systematic effort and lobbying by
big corporations led by Pfizer, the biggest drug company in the
world (Drahos and Braithwaite 2003).

While the private health care sector has proved to be totally
incapable of ensuring health for all in poor countries, the state
has been badly weakened financially, and in other ways, in
these countries, especially after the onset of financial
liberalization, debt crises and structural adjustment measures in Latin America, the Caribbean, most countries of Africa, and South and South-East Asia. On top of that, many of these countries have suffered massive capital flight and brain drain, including the export of doctors trained at high cost in such countries as Ghana and Malawi (GCIM 2005).

The capability approach has also enriched our appreciation of the complex dimensions of health care, nutrition and survival in a healthy state. Sen's emphasis on different requirements for differently placed individuals—for which he has acknowledged Marx's insistence, in his critique of the Gotha Program of the nascent Social Democratic Party of Germany, on different provisions to be made for persons with different needs (Marx 1875/1970)—has enriched our understanding of why the needs of women, children, and the mentally and physically challenged have to be examined with special care. A very large proportion of women in poor countries live under some kind of patriarchy and are deprived of property rights and access to education, nutrition, health care and employment with dignity. Exclusive emphasis on increasing income even in countries with apparently socialist ideologies or relatively egalitarian social structures, such as China and South Korea, has resulted in high degrees of discrimination against women in work opportunities and earnings, and discrimination extends even to the equal right of survival of girls and boys. The capability approach can bring such dark realities of poverty into the light of day.

The critical political economy approach can exploit another aspect of the changeability of the human condition emphasized by Marx. In a speech by Marx to the First International Working Men's Association in June 1865, Marx (1865: ch. 14) stated: (p.39)
The value of the laboring power is formed by two elements—the one merely physical, the other historical or social. A quick succession of unhealthy and short-lived generations will keep the labor market as well supplied as a series of vigorous and long-lived generations. Besides this mere physical element, the value of labor is in every country determined by a traditional standard of life. It is not mere physical life, but it is the satisfaction of certain wants springing from the social conditions in which people are placed and reared up. The English standard of life may be reduced to the Irish standard; the standard of life of a German peasant to that of a Livonian peasant.

Thus the kind of concern Sen (1999: 73–4) attributes to Smith about defining “necessities” acquires a social and historical dimension in Marx's work (see also Miller 1991).

III. Capability, Identity and the Dark Side of Globalization

Sen has used his critique of the theory of human action based solely on self-interest and self-welfare to create a space for commitment, that is, action that is not driven by “self-centered welfare”, the “self-welfare goal” or “self-goal choice” (Sen 1977, 1985/2002, 2005: 6). That commitment can be to an abstract sense of justice, to a program for political or social change, to a business group and its ethos, to a religious or social community. But the commitment can be directed towards the forcible denial of freedom of choice to others. It is against that confining of people's choice and the denial of the fact that we all have plural identities that a large part of Sen's recent lectures and writings have been directed (see e.g. Sen 1999b, 2006).

People have multiple, and changeable, identities. Capitalist competition itself creates new identities, as it demotes some sections of workers from skilled to unskilled status, and changes the rankings of different groups of workers (Botwinick 1993). The overall increase in the concentration of industry and structural change in the composition of industrial output have led to increased wage inequality among workers in many countries (Galbraith and Berner 2001).

The support of plural identities requires the substantive freedom whose elaboration is as integral a part of the capability approach as its insistence on procedural freedom. In
Sen's illustration of multiple affiliations, we can picture a woman as a vegetarian, a lawyer, a lover of jazz, a heterosexual, and a supporter of gay and lesbian rights (Sen 2006: 45–6). But a common, often homeless, worker in an Indian town has no option of listening to Tagore songs or reading the fiction of Bibhutibhusan Bandyopadhyay. If that worker happens to be a Muslim, he might go to a mosque, and get some food and even shelter for the night. It is not enough to have a radically individuated society with no connection between human beings except that of accidental affiliation, a society in which the demand for a private domain also includes the recognition of private property in any number of assets, commodities and capabilities. That society, as Marx argued in his article on the Jewish question (Marx 1844), will pit one individual against another in ceaseless competition. Competitors will use attributed identities to enslave workers or to aggrandize themselves. That factor has been one of the principal reasons why, contrary to the dream of liberal philosophers working out the political and moral foundations of a capitalist society along the lines of freedom of individuals, the world remains mired in identitarian politics.

Sen has discussed the ethics of market exchange and finance in many places (see e.g. Sen 1993b, 1993c, 1999a: ch. 5). From the point of view of either the critical political economy approach or the capability approach, these are human institutions and the consequences of their operation have to be judged in accordance with whether they advance or pull back the frontier of human potential. Since these institutions have various effects on different groups of people, distributional judgements are involved in assessing their consequences. Financial innovations of the type that go by the name of financial liberalization, which have been adopted by the leading economic powers and have often been forced upon the poor, debtridden countries of Africa, Latin America and Asia, have enriched the wealthy to previously unimaginable levels. In almost every country, financial liberalization has also led to enormous increases in inequality. It has also been associated with severe declines in growth rates of per capita incomes and has often led to absolute declines in income per head, the decimation of social security systems and declines in real expenditure per capita on education and health because of the withdrawal of the state from most social and productive sectors (Bagchi 2005: chs 22–4; Bagchi 2007a). For the first
time since the beginning of the epidemiological transition in
Western Europe, life expectancy in a swathe of countries in
Sub-Saharan Africa and several countries in the former Soviet
Union has declined, in some cases to 35 years or so, the same
as at the dawn of their liberation from colonial rule. While the
capability approach should be used to grasp the
multidimensional nature of this human tragedy, critical
political economy can be used to see why, despite the
arguments of many economists (e.g. Stiglitz 2002, 2006), the
pleadings of many UN bodies, and world-wide protests against
what goes by the name of (G7-led, corporatist) globalization,
the order prescribed by the IMF, the WTO and the World Bank
continues to govern the lives of the world's billions.

While the complexity of human relations and individual human
capabilities will continue to be mapped in their many
dimensions, the substantive freedoms that undergird the
expansion of human capability must be continually tracked
and not ignored in the name of more sophisticated methods.
For example, there is a good deal of debate, taking its point of
departure from the work of Pitambar Pant, Anthony Atkinson,
Amartya Sen, James Foster, Angus Deaton, Abhijit Sen, Himangshu and others (for references, see Himangshu 2007),
about how exactly to define and measure the degree of poverty
in India. But the officially measured number of people below
the poverty line in rural areas in India over the period of the
neo-liberal economic reforms looks very peculiar since, over
the same period, the availability of food grains and of calories
delivered by food of all kinds has also declined, and the calorie
intake of people below the official poverty line has fallen
further and further below the calorie intake norm defining the
poverty line (Patnaik 2007: Chart 4a, Table 2). Even in the
state of Kerala, which has been lauded as a success in human
development in a poor region, the calorie intake has gone
down over this period.

From 1975, in collaboration with UNICEF, the Indian
government has been implementing an innovative program
called the Integrated Child Development Scheme (ICDS). Its
geographical coverage has been extended over the years and
by 2006 it had come to cover notionally about one quarter of
the Indian population. Despite the existence of such a scheme,
levels of child malnutrition remain very high, higher than in
many countries of Sub-Saharan Africa (Shiva Kumar 2007). A.
K. Shiva Kumar, Advisor to UNICEF in India, makes use of the
data collected by the third round of the (Indian) National Family Health Survey (NFHS3), carried out in 2005/6 to measure the access of children, under the ICDS and other schemes, to supplementary nutrition, to immunization, and so on, and finds that their access is very limited in most parts of rural India. He also tabulates the extent of undernutrition, as measured separately by children who are underweight, children who are wasted, and children who are stunted. According to those data, 49 per cent of children are underweight, with lower proportions of children being wasted or stunted. The situation may be even grimmer than that. Svedberg (2002) defines a comprehensive index of anthropometric failure (CIAF) which measures the number of children who suffer from at least one of the three kinds of anthropometric failure. On the basis of data from NFHS2 (the second round of the National Family Health Survey), carried out in 1998/9, Nandy et al. (2005) find that just about 60 per cent of Indian children below age 3 suffered a CIAF condition. They also find a strongly negative relationship between the proportion of children suffering from CIAF and the standard of living of the households covered.

The political economy approach helps us understand the very partial success of the ICDS program against the background of economic reforms that badly damaged the public distribution system of food and public expenditure on agricultural investment, and squeezed the employment conditions of the rural population. The capability approach can then examine the system of allocation of nutrients within a typical poor Indian family, in which a woman has restricted access to gainful employment and has less autonomy in deciding how to spend the money she earns even when she is an earning member of the family. Will even a pregnant mother agree to take supplementary vitamins and food only for herself if her children above (p.42) the age of 3 or 6 (depending on the cut-off point for public provision) are going hungry?

In 2000, at the dawn of the new millennium, the United Nations proclaimed a number of Millennium Development Goals (MDGs), to be attained by 2015. They include significant reduction in extreme poverty, as measured by those living below an income or exchange entitlement of one dollar a day, the universalization of primary education, preferably by 2015, a significant reduction in gender disparities in education and earnings, progress towards sustainable development, and a
global partnership in development. It was obvious by 2006 that most of these goals were not going to be reached by that date. The sexual and reproductive health of women is extremely important for attaining these goals: they require the empowerment of women to take control of their own lives. Under the political and social order prevailing in poor countries, their states or communities or private business sectors are not able to provide the necessary resources, incentives and social environment. Under the international economic and political order, especially after the emergence of the WTO, which seriously discriminates against the agriculture of the poor countries, the progress of empowerment is impossible. The UN MDG report on sexual and reproductive health has confirmed these apprehensions (UN 2006). The major report in 2007 on progress towards attaining the MDGs does not sound more hopeful (UN 2007). While the MDGs include an enormous growth in aid from rich countries to poor countries, actual aid has declined. Deforestation in poor counties continues apace. Critical political economy analysis could have predicted all these disappointing outcomes. Why should the rich countries, whose international economic policies have been increasingly guided by the interests of their own business corporations, pour aid into countries whose per capita incomes are too low to repay the aid by creating a big market? How can poor countries stop deforestation, when very often the survival of the poor requires them to scrounge from the soil, and when under various legal agreements, business strategies have been freed of any social responsibility, except in a few Western European economies? Practitioners of critical political economy have suggested that the poor in all countries should struggle for changes in policy orientation at national and international levels (see e.g. Foster 2002; McNally 2002; Bagchi 2005). The goals of those struggles can be enriched by drawing on the work emanating from the capability approach (Nussbaum 2000; Agarwal, Humphreys and Robeyns 2004).

Both critical political economy and the capability approach can be used to combat some of the almost deliberately misleading propaganda spread by the organs of the IMF and the World Bank, and by economists unquestioningly accepting their perspective. The portrayal of the “East Asian Miracle” and its downfall are a prime example of the need for such scrutiny. When the World Bank (1993) celebrated the East and South-east Asian miracle, it failed to distinguish the fragility of
industrial growth in a country such as Indonesia from its robustness in South Korea. (p.43) In fact, the World Bank advised countries like India to emulate the policy models of Indonesia and Thailand rather than that of South Korea (Bagchi 1998b). Moreover, the massive and continuing violations of human rights in Indonesia under Suharto's rule, lasting for almost thirty years, were never mentioned in the World Bank reports. When the Asian economic crisis ensued, the blame was placed on the regimes' lack of transparency and “cronyism”, forgetting that if those charges were true, these faults were also responsible for the earlier successes. It turned out that the chief culprits in bringing about the crisis were capital account convertibility and badly regulated financial liberalization. Moreover, the IMF prescriptions as conditions for bail-out loans deepened the depression in the crisis-affected economies (Stiglitz 2002, 2006). Again, a capability approach that pays attention to the effects of a given policy or a crisis can shed better light on the human predicament than can sticking to the aggregative measures of per capita income growth favored by most international organizations. For example, the analysis by Jan Breman (2000) of what happened in rural Java in the wake of the crisis—how employment and incomes collapsed and why the traditional safety nets could not bear the weight—can help us better understand the subsequent political turmoil and inter-religious conflicts in Indonesia than can aggregative figures of alleged recovery (which, by all accounts, has been very fragile).

The capability approach and class analysis are natural complements of each other. Sen (1981: app. B) gives an exemplary demonstration of how class analysis can be used to show the effects of a price rise of food grains on different classes of society and how entitlement failures can occur differently for different sections of society. He uses a two-class model which divides the population between the rich and the poor, the latter being the workers, to bring out the reasons for Malthus's objection to parish allowances being given to workers to protect their real incomes during Britain's war against Napoleon-ruled France. Sen employs a five-class model, distinguishing between (1) agricultural capitalists and landlords, (2) peasants, (3) urban and semi-urban workers, (4) agricultural laborers and (5) rural service providers and craftsmen to bring out the different effects of the Bengal famine of 1943 on different classes. The same framework, with
changes in class divisions where needed, can be used to illuminate what happened during the series of famines India had to suffer under British rule throughout the nineteenth century and beyond (Maharatna 1996; Davis 2001). Such an analysis can be embedded in the wider perspective of critical political economy. Why were the British rulers unwilling to spend money to save lives? What were their imperatives during World War II, when the Bengal famine occurred? How did Lord Lytton, then Viceroy of India, set about allocating funds between preparation for the Second Anglo-Afghan War, the ceremonial crowning of Queen Victoria (in absentia) in the Delhi Durbar of 1876, and the money needed to save Indian lives? What were the fiscal imperatives of an empire that maintained a large establishment in London and funded the cost of the whole British army east of Suez?

(p.44) Sen’s work can enrich critical political economy by making it easier to incorporate the ways individuals and groups can differ in their needs, their goals and their commitment. In its turn, critical political economy can help trace out the trajectory of changes in these diversities of experience, commitment, pursuit of goals and actual choice. Such changes, and the political struggles associated with them, can both facilitate and obstruct the processes of democracy in society and polity and thereby stand in the way of advances in human development and the frontier of human capabilities, as the experience of formal democracy, stretching from the USA to India, demonstrates (Assayag 1995; Bagchi 2004; Quadir and Lele 2004; Bagchi 2005: chs 23–4).

Bibliography references:


Notes:
(1) The Arrow-Debreu model of general equilibrium also disallows any uncertainty that is not fully insurable and cannot handle asymmetric information.