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The Standard of Living: Lecture I, Concepts and Critiques*

It is hard to think of an idea more immediate than that of the living standard. It figures a good deal in everyday thought. It is, in fact, one of the few economic concepts that is not commonly greeted with the uncommon scepticism reserved for the other concepts of economics, such as ‘perfect competition’, or ‘general equilibrium’, or ‘consumers’ surplus’, or ‘social cost’, or the almost supernatural ‘M3’. While people are not prone to ask each other, ‘How is your standard of living these days?’ (at least, not yet), we do not believe we are indulging in technicalities when we talk about the living standard of the pensioners, or of the nurses, or of the miners, or – for that matter – of the chairman of the Coal Board. The standard of living communicates, and does so with apparent ease.

And yet the idea is full of contrasts, conflicts and even contradictions. Within the general notion of the living standard, divergent and rival views of the goodness of life co-exist in an unsorted bundle. There are many fundamentally different ways of seeing the quality of living, and quite a few of them have some immediate plausibility. You could be well off, without being well. You could be well, without being able to lead the life you wanted. You could have got the life you wanted, without being happy. You could be happy, without having much freedom. You could have a good deal of freedom, without achieving much. We can go on.

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Diversity is indeed part of the traditional picture of the living standard. Our job is not so much to evade it, but to face the diversity squarely and to find our way through it by drawing on the motivation underlying the interest in, and the use of, the concept of the standard of living. The living standard cannot be defined completely afresh by us ‘professionals’, and we must not sacrifice all the richness of the idea of the living standard to get something nicely neat and agreeably simple. There are too many associations and uses of the idea of the living standard for it to be treated as putty that can be refashioned as we like. We do, of course, have room for choice – indeed it is a necessity – given the contradictions among the different extant interpretations of the concept. But we must also relate our assessment and choice to pre-existing motivations and needs, while keeping the door open to meeting new demands and responding to untraditional problems.

COMPETITIVE AND CONSTITUTIVE PLURALITY

There are two rather different types of diversity in an idea like the standard of living, and it is useful to distinguish clearly between them. One type of diversity may be called ‘competitive plurality’. Here different views stand as alternatives to each other. We can choose one of the rival views but not all of them (indeed not more than one). The other type is, in a sense, an internal diversity within a view, which may have different aspects that supplement but do not supplant each other. This may be called ‘constitutive plurality’.

For example, if one view of the living standard sees it as pleasure and another as opulence, then this is an example of ‘competitive plurality’. Of course, pleasure is not independent of opulence, but in their pure forms pleasure and opulence are alternative ways of seeing the living standard, even though there are associations, correlations and causal connections. In contrast, if one takes a general view of the living standard as, say, pleasure, then the non-commensurability of different types of pleasure – discussed by such authors as Plato, Aristotle and John Stuart Mill – suggests a ‘constitutive plurality’ within this general view. Constitutive plurality involves seeing the living standard primarily as a basket of multiple attributes, even though secondarily that basket may quite possibly be given a

1 This is discussed in Sen (1980–1). See also Gosling and Taylor (1982) and Nussbaum (1983–4).
numerical representation in the form of an index. Competitive plurality, on the other hand, is concerned with reflecting a choice over alternative baskets (each basket may have only one item or many). In facing diversities of outlook towards the standard of living, it is necessary to sort out the issues of competitive plurality from those of constitutive plurality.

In this first lecture I am concerned primarily with competitive plurality, and in particular with disputing the claims of certain traditional approaches to the standard of living. By the end of the lecture I would hope to have arrived at a moderate justification for an alternative approach. While these critical – and often negative – discussions will be concerned mainly with problems of ‘choice’ implicit in competitive plurality, issues of constitutive plurality will also be frequently involved, since some of the alternative approaches include pluralistic constructions of the concept of the living standard.

In the second lecture I shall try to be more positive in exploring an alternative approach, which I have elsewhere called, in a related context, ‘the capability approach’ (Sen 1982; Sen 1984a: Essays 13, 14, 19, 20; Sen 1985a). The exploration and use of the capability approach will demand coming to grips with extensive constitutive plurality in seeing the living standard in the form of being able to achieve various personal conditions – to be able to do this or be that. It will also call for empirical illustrations to make sure that the approach can be sensibly and plausibly used in practical problems of living standard assessment.

OBJECTS AND STANDARDS

There are at least two basic questions in any evaluative exercise: (1) What are the objects of value? (2) How valuable are they? Strictly speaking, the first – what objects? – is an elementary aspect of the second – how valuable? The objects of value are those that will be positively valued when the valutational exercise is fully performed.²

² A few clarificatory points are called for here. First, an object may be one of value in a ‘weak’ sense, if it is potentially valuable, and actually valued in some cases but possibly not in all cases. When this weak formulation is used, the condition of ‘dominance’ (discussed later) would have to be correspondingly adapted. Second, an object that yields negative value can be made into an object of value through ‘inversion’, that is through treating it as an object of ‘disvalue’ and counting reduction rather than increase as an improvement. Third, if there is an object that is sometimes positively and sometimes negatively valued, there will arise a real
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This may not, however, be the most helpful way of seeing the ‘what’ question. The more immediate sense of the question lies in the direct and intrinsic relevance of these objects in the assessment of the standard of living, and this relevance has to be distinguished from irrelevance on the one hand, and indirect or derivative relevance on the other.

To clarify the contrast, consider for the sake of illustration the general view of the standard of living as pleasure. This would indicate that pleasures of different types are the objects of value and that the standard of living consists of pleasures. Having a high income is not, then, an object of value in itself; nor is good health; nor the existence of a friendly bank manager who is ready to lend one money. These things may (indeed typically, will) influence one’s standard of living, but that influence must work through some object of value – in this case, some type of pleasure. At the risk of oversimplification, it may be said that if an enhancement of some variable increases the standard of living, when everything else remains the same, then that variable is clearly an object of value in the evaluation of the standard of living.

Answering the ‘what’ question does take us some distance. We are able to say, for example, that if life style $x$ has more of each of the objects of value than $y$ has, then $x$ involves a higher standard of living than $y$. The identification of objects of value yields a ‘partial ordering’, which can be characterised in different ways. Perhaps the simplest form is the following: if $x$ has more of some object of value and no less of any than $y$, then $x$ has a higher standard of living. I shall call this the ‘dominance partial ordering’.

The dominance partial ordering is, of course, very familiar to economists in many contexts. In welfare economics it is employed to make social comparisons in terms of individual preferences or utilities, and it stands in that case for the so-called Pareto Principle: if someone has more utility in state $x$ than in state $y$, and everyone has no less in $x$ than in $y$, then $x$ is socially better than $y$. That use of dominance reasoning is often thought to be uncontroversial, and difficulty in pursuing the ‘dominance’ reasoning. In fact, the viability and usefulness of the distinction between identifying objects of value and the rest of the valuation exercise would be seriously compromised if such ‘mixed’ objects exist. This type of problem – and some others – are discussed in Sen (1975). But most ‘mixed’ cases tend to be instrumentally so (and not intrinsically valued positively in some cases and negatively in others). The problem may thus be avoidable, to a great extent, by going deeper. It is likely to be a more serious problem in the evaluation of ‘opulence’ than in evaluating ‘functionings’ and ‘capabilities’.
Indeed it would be so if the objects of value in deriving social rankings were exactly the set of individual utilities—no more and no less. Those of us who have disputed the uncontroversial nature of the Pareto Principle have done so on the basis of questioning its identification of value objects for social ranking (arguing that non-utility features may have intrinsic and direct relevance) (Sen 1970, 1977b, 1979a, 1979b). But the legitimacy of the ‘dominance’ reasoning itself has not been thus questioned. That particular controversy relates, of course, to the assessment of what is ‘socially’ appropriate, and not to the problem of the evaluation of the standard of living of a person or even of a group.

While the dominance partial ordering does take us some considerable distance, it is very unlikely that it would be adequate for making all the comparisons that we would want to make. When \( x \) has more of one object of value and \( y \) of another, then the dominance partial ordering will leave \( x \) and \( y \) unranked. To rank them the issue of the relative importance of the different objects has to be faced. What we then need are standards of comparison, giving us the relative forces exerted by the different objects of value in the valuation exercise. Dominance reasoning will need supplementation by reasoning that addresses the question of relative importance.

**Utility, Objects and Valuation Methods**

The utilitarian tradition provides a particular way of assessing the relative importance of different objects. Given the influence of this tradition in normative economics (through the works of such writers as Bentham, Mill, Jevons, Sidgwick, Edgeworth, Marshall and Pigou), it is not surprising that it is very often taken for granted that any evaluative concept in economics must be ultimately based on some notion or other of utility.\(^3\) The standard of living is not taken to be an exception to this rule.

There are, however, two quite different ways of seeing the standard of living in terms of utility, and they do seem to get a bit confused in the welfare economic literature. One is based on seeing utility as an object of value itself. As A. C. Pigou put it, ‘the elements of welfare are states of consciousness and, perhaps, their relations’ (1952:10). In this

\(^3\) For a powerful critique of this position, coming from one of the major figures in utility theory, see Hicks (1981). This consists of two extracts, respectively from *Essays in World Economics* (Oxford: Clarendon Press, 1959) and a paper read at Grenoble in 1961.
view, utility in the form of certain mental states is what is valuable, and indeed it is the only thing that is intrinsically valuable. The second view is to see utility as a valutional device which is used to evaluate other objects of value, for example goods possessed. As Pigou himself put it elsewhere, ‘considering a single individual whose tastes are taken as fixed, we say that his dividend in period II is greater than in period I if the items that are added to it in period II are items he wants more than the items that are taken away from it in period II’ (1952:51).

Paul Samuelson puts the approach more succinctly: ‘the real income of any person is said to be higher for batch of goods II than for I if II is higher up on his indifference or preference map’ (1950:21).

It might be thought that if the indifference maps are based on utility totals then the two approaches must give the same rankings, and the valuation of goods by utility must coincide with the valuation of utility per se. But this is not so. Consider a person who ranks all commodity bundles in exactly the same way in periods I and II, in terms of utility, but gets more utility in period I from each bundle than in period II. In this case, it is quite possible for it to be the case that the utility value of bundle II is higher than that of bundle I in each period, and nevertheless the utility yield of bundle II actually enjoyed in period I is higher than the utility yield of bundle II actually enjoyed in period II. The respective utilities in descending order, then, may be the following, when \( U_I() \) and \( U_{II}() \) are the utility functions in the two periods, and \( x_I \) and \( x_{II} \) the respective commodity bundles:

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U_I(x_{II}) \\
U_I(x_I) \\
U_{II}(x_{II}) \\
U_{II}(x_I)
\]

If utility is used to evaluate commodities, then \( x_{II} \) must be ranked higher than \( x_I \). Given the fulfillment of Pigou’s condition of ‘fixed tastes’ (in the form of an unchanged ‘indifference or preference map’), the living standard (in the form of real income) has to be seen as higher in the second period than in the first. If, on the other hand, living standard in the form of economic welfare is seen as utility itself (‘states of consciousness’, as Pigou puts it), then clearly it is higher in the first period than in the second, since \( U_I(x_I) > U_{II}(x_{II}) \). Valuation of commodity bundles by the index of utility is not the same exercise as the comparison of utility totals themselves. It does make a difference as to whether utility is the object of value itself, or only used to evaluate other objects of value.
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In assessing the claims of utilities in the evaluation of the standard of living, both the possible uses (as objects of value and as valutational methods) have to be considered. And this makes the task particularly exacting since there are also at least three quite different ways of defining utility, namely pleasure, desire fulfilment and choice. So there are really at least six different boxes to examine.

Utility as Pleasure and Happiness

I start with the view of utility as pleasure. That term is used in many different senses. Some uses characterise pleasure rather narrowly, like John Selden’s cheerless diagnosis: ‘Pleasure is nothing but the intermission of pain’; or Dr Samuel Johnson’s identification of the horns of an alleged dilemma: ‘Marriage has many pains, but celibacy has no pleasures.’ At the other end is the tendency in parts of the utilitarian tradition to assume that anything that is valued, must be, for that reason, a generator of pleasure, and the extent of pleasure will reflect well the strength of the valuation.

The utilitarian view does seem rather unlikely, since valuation is a reflective exercise with a complex and unstraightforward linkage with pleasure. Nevertheless, it is a suitably broad view of pleasures that we must seek in order to give any kind of plausibility to the pleasure view of well-being and the living standard. Jeremy Bentham’s championing of the felicific calculus certainly did take a very broad view. It is only in a very broad sense that pleasure can possibly be seen as something like ‘happiness’ (and provide the basis of Bentham’s ‘the greatest happiness principle’). Marshall’s and Pigou’s use of the term ‘satisfaction’ is equally broad (Marshall 1949: Book 3; Pigou 1952: Chapter 2).

It is arguable that to think of satisfaction or happiness or pleasure as some kind of a homogeneous magnitude is simply a mistake, and that at best we have here a vector with different components related to different types of mental state and different causal influences. But whether or not these different types of pleasure are seen as commensurable, there is no way of avoiding a broad-coverage view if the pleasure approach is to make a serious bid for being the basis of the living standard. The question is: even with a broad coverage, can this approach really make a strong bid?

It is quite easy to be persuaded that being happy is an achievement

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4 See particularly Seitzovsky (1976).
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that is valuable, and that in evaluating the standard of living, happiness is an object of value (or a collection of objects of value, if happiness is seen in a plural form). The interesting question regarding this approach is not the legitimacy of taking happiness to be valuable, which is convincing enough, but its exclusive legitimacy. Consider a very deprived person who is poor, exploited, overworked and ill, but who has been made satisfied with his lot by social conditioning (through, say, religion, or political propaganda, or cultural pressure). Can we possibly believe that he is doing well just because he is happy and satisfied? Can the living standard of a person be high if the life that he or she leads is full of deprivation? The standard of life cannot be so detached from the nature of the life the person leads. As an object of value, happiness or pleasure (even with a broad coverage) cannot possibly make a serious claim to exclusive relevance.

This takes us to the other way of using utility – not as an object of value, but as a method of valuation. However, this type of use is particularly unsuitable for the interpretation of utility as pleasure or happiness. Having pleasure or being happy is not a valuational activity as such, nor tightly tied to valuational activities. There is nothing perplexing in the remark: ‘I still value x, but I haven’t got it, and have learnt to be happy and satisfied without it.’ While there are obvious connections between valuational activities and mental states of happiness, they cannot be identified with each other; nor can they be seen to be tied so firmly to each other that one can reasonably serve as a surrogate for the other.

It is, of course, possible to pack more into the notion of happiness than common usage will allow, and to see some objective achievements as part of being ‘really happy’. If one were somehow stuck with having to make do with the notion of happiness, and base all evaluation on happiness alone, then this type of extension might well form a sensible exercise. Indeed, it is not surprising that such enrichment would appeal particularly to the self-declared utilitarian who has signed away his freedom to use other concepts. But that is a rather specialised interest.

The exercise also has a certain amount of general intellectual interest, particularly since the breadth and richness of the Greek concept of eudaimonia may suggest similarly broad interpretations of happiness or pleasure.5 But in the present context there is not much

point in going in that direction, since other notions of value and valuation can be entertained in their own right without their having to be inducted into serious consideration through riding on the back of pleasure or happiness. There are many other avenues that are explorable and deserve our direct attention. We have not signed away anything yet.

**DESIRE AND CIRCUMSTANCES**

What can we say about the interpretation of utility as desire fulfilment? While Pigou clearly did think that the importance of utility rests on satisfaction and not on desire, nevertheless he thought that strength of desire as reflected in demand will serve as good evidence for satisfaction. ‘It is fair to suppose’, he argued, ‘that most commodities . . . will be desired with intensities proportioned to the satisfactions they are expected to yield’ (1952:24). This connection played an important part in Pigou’s analysis of the living standard and economic welfare, making it possible for him to see them in terms of both satisfaction and desire, taking ‘economic’ welfare . . . to consist in that group of satisfactions and dissatisfactions which can be brought into relation with a money measure’ (1952:23).

But if satisfaction is rejected as the basis of valuation, for reasons already outlined (or indeed for any other reason), then Pigou’s defence of the derived importance of desires cannot be sustained. There is, however, a long tradition of attaching importance to the fulfilment of desire as such (not derivatively because it relates to satisfaction). It is also true that as an activity, desiring has a valuational aspect, which Frank Ramsey, among others, has emphasised (Ramsey 1926). Is it possible to claim that the desire interpretation provides an adequate valuational method (Hare 1981; Griffin 1982)? This claim has to be examined.

The relationship between valuing and desiring is a complex one. Desiring may link closely with valuation, but it is not in itself a valuational activity. It is a plausible and frequent consequence of valuation, but desiring and valuing are not the same thing. There is nothing contradictory in asserting that one does not value something

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6 Pigou went on to discuss ‘one very important exception’ to ‘this general conclusion’, and this was concerned with future satisfactions given that ‘our telescopic faculty is defective’ (1952:25).
7 I have discussed this and some related issues in Sen (1985b).
even though one desires it; or one does not value it as strongly as one’s desire. Indeed, it would be baffling to identify the two, and say, for example: ‘I must be valuing x highly since I desire x strongly.’ If there is a link between desiring and valuing, it is certainly not one of identity.

Could it be that desiring is a source of value? This view may have some superficial attraction, but it is hard to see the relation between desiring and valuing in exactly that way. It is more perplexing to argue, ‘I value x because I desire it’, than to say the opposite, ‘I desire x because I value it’. Valuing something is indeed an excellent ground for desiring it, and seen in this light, desiring is a natural consequence of valuing. It would be remarkable to turn this relationship on its head and see valuing as a consequence of desiring. ‘Why do you value x?’ she asks. I reply triumphantly, ‘You see, it is because I desire it!’ This would, of course, be a good way of earning a reputation for inscrutability, but not a particularly effective way of answering the question asked. There are, of course, some activities for which desiring is an important part of the activity itself (e.g., satisfying curiosity or making love), and in these cases desire must have an integral role in the process of valuation. But desire can scarcely be an adequate basis of valuation, in general.8

In fact, desiring plays a strategic role in making our wants credible and our aspirations viable. The importance of this aspect of the activity of desiring comes out sharply when interpersonal comparisons of desires are considered. It is not only that a poor person can offer less money for what he or she desires compared with a rich person, but also that even the strength of the mental force of desiring is influenced by the contingency of circumstances. The defeated and the down-trodden come to lack the courage to desire things that others more favourably treated by society desire with easy confidence. The absence of desire for things beyond one’s means may not reflect any deficiency of valuing, but only an absence of hope, and a fear of

8 The picture may look a little different in third-person contexts. The desire of others may be a good ground for us to value its fulfilment. This can be because we value that they get what they value, and their desire may tell us something about what they do value. (This evidential role is discussed later.) Or it can be that we value their happiness and know that desire fulfilment is conducive to happiness (and frustration a cause of suffering). One important difference between the first- and third-person cases lies in the fact that we have some responsibility for what we desire (and the need to relate it to what we value), whereas we have no such direct responsibility for the desire of others.