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## *Collective Choice and Social Welfare* by Amartya Sen: A Review Essay with Reference to Development in Peru

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### Abstract

This paper provides an overview of Sen's revised edition of *Collective Choice and Social Welfare* (London: Penguin Books, 2017) and examines the relevance of its arguments in the context of Peru. It focuses on three main points: 1) a social choice approach for addressing global problems; 2) an expanded informational basis for making judgments; and 3) a public reasoning view of collective decision-making. The paper then discusses these points in relation to development policy in Peru. It critically analyses the human-social development strategy followed by the Peruvian government in recent years and, in particular, the capacity of public reasoning to reflect and sustain the priorities of the poorest and marginalized in the public policy agenda.

**Keywords:** Amartya Sen, capability approach, social justice, democracy, Peru

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## 1. Introduction

John Rawls's *Theory of Justice*, Gustavo Gutierrez's *A Theology of Liberation*, Amartya Sen's *Collective Choice and Social Welfare*, and Ester Boserup's *Women's Role in Economic Development* were first published in the years 1970 and 1971. Nearly 50 years after their publication, the arguments of these books remain as relevant as they were then. These texts are now classics for students in politics, philosophy, theology, economics, and development studies. Although originating from different disciplines and cultural and socio-economic contexts – the United States, Peru, and India, respectively – these seminal texts all share a concern for the kind of lives that women and men are able to live, and for the collective or social processes that need to be in place for societies to be 'just' (Rawls), for people to be 'liberated' or 'free' (Gutierrez), or for women and men to live 'better' lives (Sen and Boserup). The world of 2017 is certainly very different from the one from in which these academic classics arose, but their proposals to address questions of justice, development, or freedom are as timely as ever. The aim of this review essay is to discuss Sen's revised edition of *Collective Choice and Social Welfare* in the context of development policies in Peru and the concerns raised by the three other classics published at the same time about what makes societies 'just' and women and men free or 'liberated'.

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There are two reasons why this essay focuses on Peru. First, Peru saw the launching earlier in 2017 of an Institute of Human Development for Latin America at the Pontifical Catholic University of Lima (IDHAL-PUCP). The coincidence of its launch with the revised publication of a book that had set the basis of the ‘human development paradigm’ (see, e.g., Alkire 2002; Cornia and Stewart 2014; Desai 1991) is an opportunity to discuss the contributions of *Collective Choice and Social Welfare* to development policy debates in Latin America. Second, Peru’s development policies present an interesting and challenging ground to probe the arguments of the book, given that the policies aim to expand the opportunities of Peruvians to live better lives but remain highly contested due to their limited effectiveness in improving some basic dimensions of human wellbeing and reducing inequality in these dimensions, as well as their environmental consequences.

This review essay is structured as follows. Section 2 discusses some of the main contributions of Sen’s *Collective Choice and Social Welfare* to questions of justice and freedom.<sup>1</sup> It concentrates on three aspects: the centrality of incomplete rankings in addressing global problems, the need to include information about freedom and actual life achievements when ranking or comparing alternatives, and the emphasis on public reasoning and openness to others. Section 3 describes the context of economic development in Peru and critically discusses the relevance of the ideas put forward in the book for analysing the state of affairs and informing policy from a broader multidimensional perspective. Section 4 explores the way in which a new development policy strategy has been designed and implemented in Peru despite a lack of consensus regarding both what its aim should be and the relationship between economic growth and social inclusion. Section 5 analyses the capacity of public reasoning in Peru to include the protection of the poor and marginalized in the public policy agenda and sustain that inclusion over time – beyond changes in the political cycle. The paper concludes with summarizing the practical implications of Sen’s highly theorized arguments within *Collective Choice and Social Welfare* (here after CCSW).

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<sup>1</sup> See also Sen (2012b) for a discussion of the contributions of social choice theory to thinking about justice.

## 2. Incompleteness, Expanded Informational Basis, and Public Reasoning

The reader with no background in economics, or no pre-disposition for mathematical sophistication and axiomatic thinking, need not be put off by the highly technical starred chapters. There are many chapters accessible to the lay reader. For those familiar with Sen's writings, the book reads like a culmination of Amartya Sen's intellectual life, with all his contributions to development economics, philosophy, economic theory, and political theory coming together.<sup>2</sup> CCSW brings to the open what could already be noticed in his earlier works: Sen advances a social choice approach to questions of development and justice, and broadens the informational basis on which to judge the state of affairs to include considerations of freedom and equality in how we make decisions together.<sup>3</sup>

The social choice roots of Sen's works with respect to the concept of development and theories of justice are made clear from the outset. In his preface to the revised edition, he situates the origins of social choice theory in the eighteenth-century French Enlightenment, which advocated 'the need to treat people equally, and as reflective creatures' (CCSW, p. xi). Treating people as equals and as reflective and reasoning agents has indeed been at the core of Sen's thinking on development and justice. In that regard, Sen's works could be placed within the liberal egalitarian philosophical tradition (Robeyns, 2009) with freedom, equality, and reason as its fundamental values. However, as we will discuss below, Sen's writings do not lend themselves to being neatly sorted into one philosophical tradition or another. They have most of all focused on opening up a line of thinking that can be taken in several directions.<sup>4</sup>

CCSW makes the case for the centrality of the discipline of social choice when addressing major contemporary problems and global challenges. As social choice 'deals, ultimately, with human lives in the company of others' (CCSW, p. xxxii), it is hence fundamental to the original ethical question of 'How should one live?', or, more precisely, of 'How should one live with others?' Sen gives some examples of the many social choices that affect our lives – without however going into much detail – such as 'decisions about international trade and economic relations', 'having reasonable arrangements for the movement of people', or 'preserving the world's climatic health' (CCSW, p. x). It would have been interesting to read how social choice could help improve collective decisions regarding immigration and border control policies – although in media articles, Sen has been making use of the discipline of social

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<sup>2</sup> For more details on Sen's contributions to these fields, see Agarwal, Humphries, and Robeyns (2008), Arrow (1999), Atkinson (1999, 2012), Stewart and Deneulin (2002), Desai (2001), Pressman and Summerfield (2000), Sen, Basu and Kanbur (2009).

<sup>3</sup> See Baujart and Gilardone (2017), Sen (2012a, 2012b).

<sup>4</sup> See Robeyns (2017) who discusses the various social theories and theories of justice that can be built on Sen's capability approach.

choice to discuss the November 2016 US elections and June 2016 UK referendum. (Maskin and Sen 2016; Sen 2017a).

On the topic of ‘preserving the world’s climate health’, CCSW makes a short, albeit distinctive and unique, contribution. Applying the basic exercise of social choice of ranking different alternatives, the book advocates for the use of ‘partial ordering as the basic relation of social ranking’, that is, an ordering of alternatives that ‘can leave some pairs unranked’ (CCSW, p. xxix). It also advances aiming at ‘maximal’ rather than ‘optimal’ decisions. An optimal alternative is one ‘that is at least as good as every other alternative’ while a maximal is one ‘which is not worse than any other alternative’ (CCSW, p. xxix).<sup>5</sup> Thus, ‘[i]f we cannot rank  $x$  and  $y$  against each other – there is no optimal or best alternative in this pair  $(x, y)$ , but both are, under these circumstances, definitely maximal’ (CCSW, p. xxx).

This point has been illustrated by what is known as the ‘Buridan ass’. The story is that of a donkey that is faced with two food alternatives in the form of two equidistant and identical haystacks. Unable to rank one as better than the other, he dies of starvation. Sen complements the story with a real one. The decision is that of ranking alternative ‘ $x$ ’, ‘having a carbon-pricing through market mechanism’, with alternative ‘ $y$ ’, ‘regulating and banning of certain carbon activities’ (CCSW, p. 461). In the face of deep-seated disagreements regarding the ranking, there is a danger that one forgets that the resulting outcome ‘ $z$ ’, taking no action, is much worse than alternative ‘ $x$ ’ and ‘ $y$ ’. In this case, instead of continuing the search for ranking ‘ $x$ ’ against ‘ $y$ ’, leaving the pair unranked is not unreasonable; it ‘may even be a common outcome of reasoned analysis of ethical and political evaluation’ (CCSW, p. 458).

The practical implications of ‘incomplete orderings’ and ‘maximality’, as opposed to ‘complete orderings’ and ‘optimality’, are indeed far-reaching. Sen had already argued in his *Idea of Justice* for incomplete agreements (e.g. Sen 2009, pp. 399–401), but the case is much stronger in the revised edition of CCSW. As he puts it:

There may be little hope of complete agreement, e.g., on what to do in taking care of the global environment (or, more particularly, in trying to prevent global warming), or on what must be done urgently to try to curb global pandemics, or remove medical neglect across the world. And yet we can, with adequate public discussion and active advocacy, hope to get agreement on partial remedies that need not await a complete resolution of all our differences (CCSW, pp. xxx–xxx).

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<sup>5</sup> Sen (2017b, p. 7) puts the definition in these terms: ‘An alternative is optimal if it is at least as good as every other alternative’; it is ‘maximal if there is no better alternative’. The article expands on the hypothetical story in CCSW (pp. 456–7) of a West Asian anti-terrorist officer who faces the choice between preventing the destruction of the historical heritage of the city of Nineveh on the one hand, and saving a thousand human lives on the other.

Another central point of his *Idea of Justice*, namely thinking about questions of justice from a non-ideal and comparative perspective instead of an ideal and transcendental viewpoint, is further reinforced and elegantly expressed in CCSW:

Both from the point of view of institutions as well as that of frameworks of thought, the impure systems would appear to be relevant. The relative allocation of space in this book reflects a belief, which we have tried to defend, that, while purity is an uncomplicated virtue for olive oil, sea air and heroines of folk tales, it is not so for systems of collective choice (CCSW, p. 265).

Similar to his decision to refrain from offering a *theory* of justice and instead proposing an *idea* of justice, with some directions for thinking about justice, he avoids offering a system of collective choice, for ‘there is no “ideal” system of collective choice that works well in every society, and for every configuration of individual preferences’ (CCSW, p. 264). For example, choosing a university rector or faculty dean on the basis of a popular vote from all existing staff and students may be a form of collective choice that works well in a Peruvian university but may not work as well in a British university. Likewise, voting may be a good system for making a collective choice about who is going to govern a university, but it may not be a good system for a family to make a collective choice about living arrangements.

In sum, one could conclude that a defining feature of Sen’s proposal of ‘applying the social choice framework to global problems’ is the recognition of the existence of ‘incomplete rankings’ of alternatives and making decisions on the basis of that incompleteness (CCSW, p. 468). Sen proposes expanding the informational basis for ranking alternatives. And we enter here the very familiar territory of the ‘capability approach’, which Sen’s name has come to be associated.

Ranking alternatives entails judging whether one is ‘better’ or ‘worse’ than the other. But which information should be used to judge whether alternative ‘x’ is better than ‘y’? Sen has long critiqued the limitations of utility, incomes, or resources when used as the informational basis for judging and ranking states of affairs. In CCSW, he fiercely criticizes the utility-based economic principle of Pareto optimality, according to which a situation is optimal if it is no longer possible to increase the utility of some without decreasing the utility of others. Using only information about utility could lead one to conclude that an economy is doing well ‘when some people are rolling in luxury and others are near starvation as long as the starvers cannot be made better off without cutting into the pleasures of the rich’ (CCSW, p. 68). Sen concludes that, with such information, a ‘society or an economy can be Pareto optimal and still be perfectly disgusting’ (CCSW, p. 69). Introducing information about the types of lives that people live, such as living a hunger-free life, leads to different conclusions about how well an economy is doing.

It is in that context of expanding the informational basis with which to rank alternatives that Sen introduces his concept of ‘capabilities’ and argues for judging individual advantage ‘in terms of what people are able to be or able to do, rather than in terms of the means or resources they possess’ (CCSW, p. 357). Situations can then be ranked as ‘better’ or ‘worse’ than others according to their ‘social realisations’, which include ‘outcomes as well as the processes through which those outcomes come about’ (CCSW, p. 364). Outcomes and processes relate to, among others, the triadic terminology of functioning-capability-agency that constitutes the core of the capability approach (Alkire and Deneulin, 2009; Robeyns 2011, 2016, 2017).

Many paragraphs in CCSW repeat the arguments made in other works such as *Development as Freedom* (Sen 1999) or *The Idea of Justice* (Sen 2009) There is a section on ‘poverty as capability deprivation’ that discusses deprivation as ‘ultimately a lack of opportunity to lead a minimally acceptable life’ (CCSW, p. 26) and which contains a revised list of ‘conversion factors’, or what converts income ‘into the capability to live a minimally acceptable life’ (CCSW, p.26). CCSW re-affirms the distinction between ‘elementary functionings’ such as ‘being alive, being well-nourished and in good health, moving about freely, etc.’ and ‘more complex functionings’ such as ‘having self-respect and respect for others, taking part in the life of the community’ (CCSW, p. 357). CCSW also re-expresses what a ‘capability’ represents, namely, ‘the set of combination of functionings from which the person can choose any one combination’ (CCSW, p. 357), thus ‘the “capability set” stands for the actual freedom of choice a person has over the alternative lives that he or she can lead’ (CCSW, p. 357).

Although CCSW re-iterates Sen’s social choice-based approach to justice, which ‘concentrates on the opportunities that people have to lead valuable and valued lives’ (CCSW, p. 356), it emphasizes two very important clarifications about the relationship between achievements (actual outcomes) and processes (agency), and the reach of the idea of capability.

First, CCSW corrects the sometimes-held view that ‘agency’ and ‘capability sets’ have priority over actual achievements. That a fasting monk has chosen to be undernourished and that a refugee escaping war has not, does not make agency more valuable or important than its outcome, and certainly does not make undernourishment valuable because it has been chosen. Or to put it differently, agency is not the only valuable concern for judging states of affairs:

In many cases, there are great advantages in thinking of liberty in terms of each person’s agency, rather than what emerges at the very end. However, in many other cases and different circumstances, liberty and freedom are not concerned only with the action a person is allowed to undertake, but also with what emanates from those choices taken

together. The importance of agency does not obliterate the relevance of the outcome (CCSW, p. 443).

Sen also questions the degree of agency involved in what appears to be a ‘chosen’ situation like workers choosing to work for below the minimum wage or people choosing not to claim benefits they are entitled to: ‘Workers may agree to accept sub-human wages and poor terms of employment, since in the absence of a contract they may starve, but this does not make that solution a desirable outcome in any sense’ (CCSW, p. 177). As for a person choosing not to apply for benefits, he writes that, ‘that in itself is an inadequate basis for being sure that the formal availability of a choice was a real availability that a person could actually take up, ignoring the circumstantial problems’ (such as ‘social stigma in having to declare oneself as poor, or fear of unpleasant official investigation’) (CCSW, p. 444).

Second, Sen strongly cautions against the idea of capability becoming a kind of winner-takes-all concept. At the official book launch of CCSW in Oxford in January 2017, in response to a question about the definition of capabilities and public reasoning,<sup>6</sup> he responded that capability was an ‘area’ like liberty. When he first introduced the idea in 1979 (Sen 1980), it was in response to the limits of income, primary goods, and resources to provide an answer to the question of how one’s life is going. Something else was needed, and he called it capabilities. Never did he imagine then that the concept would ‘escalate’ the way it has today. It was about ‘opening up a line of thinking’ like John Stuart Mill did with his book *On Liberty*. As Mill never defined liberty, neither would he define capability or public reasoning. He argued that one did not need to define public reasoning in order to be able to say that the 2016 US elections and UK referendum could have benefited from better public reasoning.

Sen also cautions against using the capability approach as the sole guide to justice, as if wellbeing and freedom were the only things that mattered:

It would be misleading to see the capability approach as standing on its own as a guide to justice, since it focuses only on some specific aspects of well-being and freedom, and there are other concerns – for example the importance of processes and agencies – that need to be brought in to get a fuller understanding of justice than can be obtained within an exclusively ‘capability approach’ (CCSW, p. 358).

In other oral communications, he has similarly emphasized the limited reach of the idea of capability: ‘Capability is not a formula, “it’s pointing towards a certain space” [...] I’m saying this – the capability space – is a relevant space in a way that the utility space is not, the commodity space is not. That’s it’ (Sen quoted in Beaujard and Gilardone, 2017, p. 7). In their inquiry into Sen’s adverse reaction to being

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<sup>6</sup> 18<sup>th</sup> January 2017, Magdalen College, Oxford. Words in quotation marks are Sen’s exact wording.



labelled a ‘capability theorist’, or to being taken as the originator of a ‘capability theory’ to address questions of wellbeing and justice, Beaujard and Gilardone (2017, p. 3) conclude that, rather than being a capability theorist, Sen is ‘a theorist of human agency and public reasoning’, and that therefore Sen’s main contribution needs to be relocated to the sphere of public reasoning and not that of capability.<sup>7</sup>

A key feature of public reasoning in CCSW is its role in value formation, which is central to the diagnosis of justice, and the ranking of alternatives. As Sen (2012a, p. 101) puts it, ‘(e)ven though we may be moved by an immediate sense of injustice, and that sense may well be very strong and even overpowering, it would be hard to deny that ultimately the diagnosis of justice and injustice must depend on our values – and in particular our examined and scrutinized values’. For example, is alternative ‘x’, which renews the UK nuclear submarine program at the cost of 3 billion pounds, ‘better’ than alternative ‘y’, which provides hospitality to a large number of refugees fleeing war? The answer, and the diagnosis of what is a better ‘social realisation’, will ultimately depend on how we scrutinize our values and what we hold as important – in this case, how we rank military self-defence vs. welcoming refugees.

Values, or what matters to people,<sup>8</sup> are not static. Our priorities and values change in the course of discussion with others. (CCSW, p. 39 and p. 281) CCSW takes Sen’s long-discussed case of hunger (Drèze and Sen, 1989, 2013; Sen 1981) and the context of environmental degradation to illustrate the role of public discussion in value formation, and in changing people’s priorities and views about what should be done:

It seems that we do have the capacity – and often the inclination – to understand and respond to the predicament of others. There is a particular need in this context to examine value formation that results from public discussion of miserable events [famine], in generating sympathy and commitment on the part of citizens to do something to prevent their occurrence (CCSW, p. 40).

Similar issues arise in dealing with environmental problems. The threats that we face call for organized international action as well as changes in national policies, particularly for better reflecting social costs in prices and incentives. But they are also dependent on value formation, related to public discussions, both for their influence on individual behaviour and for bringing about policy changes – through political processes (CCSW, p. 40).

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<sup>7</sup> Beaujard and Gilardone (2017, p. 3) ground their argument in the fact that Sen falls short of using the idea of capability as a ‘metric to justice’, as others have done (Robeyns and Brighouse, 2010), and that he regards the exercise of ‘operationalising’ the idea of capability as misplaced.

<sup>8</sup> For a discussion of the role of values in social sciences, see Sayer (2011).

What is critical in Sen's view of public discussion, or public reasoning, is openness to the lives of others, a point he borrows from Adam Smith. (Sen, 2002, 2012a) CCSW repeats the argument made in earlier works (Drèze and Sen, 2013; Sen, 2015) about the lives of the poor not often being a subject of discussion in the media and that this influences election outcomes and policy priorities. Bringing in the perspective of others, which 'need not only be local people, or members of a shared sovereign state' (Sen 2012a, p. 107), and undertaking a 'global examination of each other's position' (CCSW, p. 432) is an essential component of public reasoning:

Distant perspectives have clear relevance not only for critical assessment of what may be widely recognized to be repellent practices (such as the stoning of women accused of adultery under the Taliban rule in Afghanistan), but also the more debatable subjects, such as the acceptability of capital punishment. There is a kind of generic relevance of wanting to check whether some practice appears acceptable only in local and parochial assessment, or can be more broadly defended' (CCSW, pp. 431–2).

CCSW's proposal to address questions of development, injustice, and poverty (or what he calls 'unfreedom') through public reasoning, an expanded informational basis for ranking states of affairs, and incomplete rankings, is not a mere intellectual exercise. It does open up a new or distinctive 'line of thinking' from current thinking about policy priorities and what counts as a 'better' or 'worse' policy outcome or social realization.<sup>9</sup> The next section explores how Sen's proposal can help us think differently about development policies in Peru.

### 3. Peru's Development Context

As discussed above, CCSW falls short of going in-depth into concrete illustrations of the arguments it puts forward. CCSW talks about how public reasoning could benefit from using a broader informational basis to make collective decisions in the presence of incomplete rankings, but it is rather economical in providing real-life situations that show the difference that the 'line of thinking' Sen has opened makes in practice. Nevertheless, an exploration of Sen's own applied research work elsewhere can provide some insights about the practical relevance of CCSW's theoretical arguments.

From *Hunger and Public Action* (Drèze and Sen, 1989) to *An Uncertain Glory: India and Its Contradictions* (Drèze and Sen, 2013), both Sen and Belgian-born Indian economist Jean Drèze have developed a body

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<sup>9</sup> According to Qizilbash (2016, p. 89), what Sen calls an 'approach' is 'a perspective which is distinctive from some dominant views', such as an 'approach' to justice which differs from that of Rawls or an 'approach' to social choice which differs from that of utilitarianism.

of collaborative research that focused on an empirical analysis of different aspects of development in India.<sup>10</sup> In most of these publications, the authors combined the presentation of selected stylized facts with historical and political analysis in order to give a comprehensive account of the relationship between economic development and multiple facets of human (dis)advantage.

Although the aforementioned analytical perspective is not explicitly rooted in Sen's social choice-based approach to questions of development and justice, its linkages with it are evident. From an economic growth perspective, Drèze and Sen (2011, 2013) argue that contemporary India could be considered a successful country. However, if one adopts an expanded informational evaluative space in order to include functionings, India fares poorly due to the prevalence of severe levels of deprivation and significant inequality in multiple basic dimensions of wellbeing like nutrition. During an economic slowdown, the Indian government can choose between variations of a 'growth-mediated' development strategy, which uses the benefits of economic growth to improve people's lives through social protection policies, or the so-called 'unaimed opulence' strategy, which has wealth generation as its main goal without any explicit consideration for people who live in impoverished and disadvantaged conditions or the general improvement of living conditions. Drèze and Sen have pointed to the high risk of the latter option being chosen when the Indian media systematically fails to reflect the situation of the most disadvantaged. Such a situation, they argue, jeopardizes both the quality of Indian democracy and the capacity of public reasoning to include as a priority the reduction of social injustice.

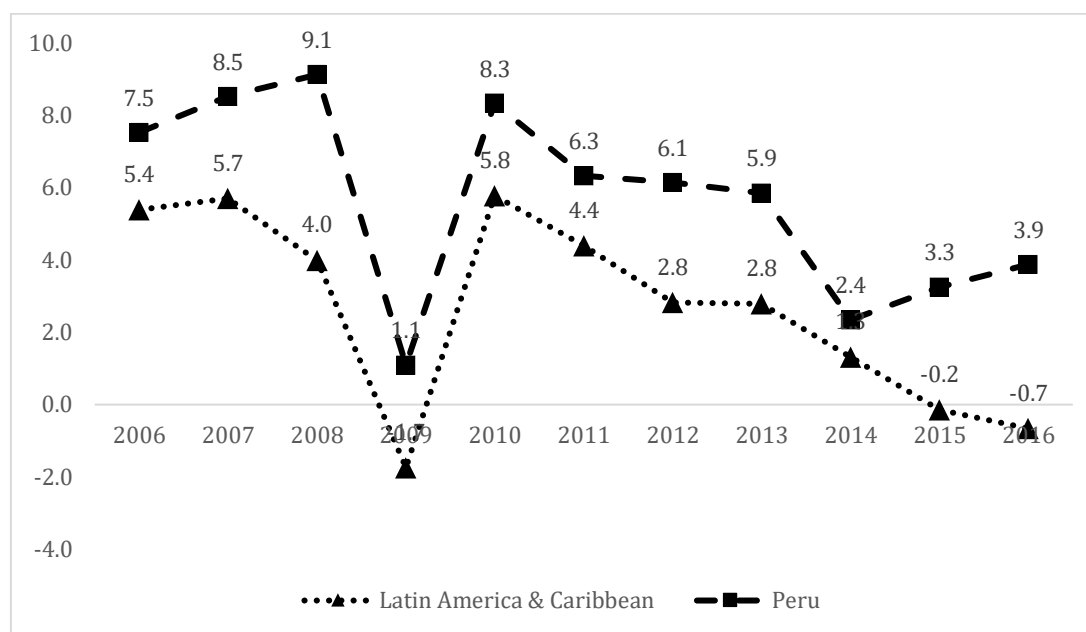
The development trajectories followed by Peru and India are obviously different, as are their histories and cultural, political, and socio-economic contexts. However, these differences do not make the analytical perspective followed by Drèze and Sen for India irrelevant to Peru. We start with the broadening of the informational space for evaluating the states of affairs argument put forward by CCSW.

From an economic growth perspective, the last decade has been one of relatively poor performance among Latin American countries. However, Peru has emerged as a leading country in the region by sustaining a GDP growth above the regional average (see Figure 1). This performance has been celebrated on several occasions by international development organizations such as the International Monetary Fund (Lagarde, 2016; Santos and Werner, 2015) and the World Bank. (Rodríguez, 2017) Both institutions have praised the success of Peru's prudent macroeconomic policies in creating a secure and stable environment for local and foreign private investment.

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<sup>10</sup> See also Drèze et al. (1995), Sen and Drèze (1995), and Drèze and Sen (1997, 2002, 2011).

Figure 1. GDP growth (annual %), Peru, Latin America &amp; Caribbean Average, 2006–2016



Source: Prepared by the authors based on World Bank (2017)

Despite these encouraging results, Peru is still far from catching up with its richest neighbours, such as Chile and Ecuador, in terms of per capita GDP. As a consequence, there has been an intense academic and political debate within Peru around the strategy that the country should follow to sustain progress towards a higher level of wealth in the next decades. This debate has been particularly centred on two sets of academic figures.

On the one hand, Ghezzi and Gallardo (2013) suggest that the current successful development model in Peru is a consequence of the structural reforms that were implemented at the beginning of the 1990s, such as the liberalization of markets and greater incentives for foreign investment. However, according to the authors, more than 20 years after the implementation of these reforms, the development model has started to show some limitations that could have negative impacts on the long-term growth trajectory. In particular, they argue there are three main ‘wellbeing pillars’ that have lagged behind and that should be policy priorities: 1) employment, 2) productivity, and 3) inequality reduction. Attending to these wellbeing pillars through a set of urgent reforms is critical to sustaining economic growth in Peru over the long term. Without such reforms, the authors claim, the path to development for Peru will continue to be elusive.

On the other hand, Jiménez (2014) has launched a severe critique of the above diagnosis. According to the author, the structural reforms and the institutions they have created are responsible for the imposition of a neoliberal-extractive development model that, in turn, is responsible for weakening Peruvian democracy, increasing corruption, undermining technical innovation, making the economy

dependent on the extraction of raw materials, and reducing industrial activity and exports of manufactured products. In that sense, according to Jiménez, due to the close links between the current Peruvian development model and the aforementioned problems, it does not seem feasible to improve current and future economic performance without deep institutional and political reform (Jiménez, 2017).

This intense policy debate illustrates that there are diverging views regarding which development model and which policies Peru should adopt in order to improve people's lives. Nevertheless, at the risk of oversimplification, there is a common element in these two opposing perspectives: to become a developed country, more economic growth is a requirement. This statement has been adopted as a central element of current official political discourse regarding the importance of transforming Peru into a 'modern' country (Zavala, 2017).

If, as Sen advanced in CCSW, a broader informational basis to evaluate states of affairs is adopted, it is evident that the problems that Peru faces are not limited to sustaining high growth rates in order to reach the GDP levels of its neighbours. From a comparative perspective, Peru is not only among the countries with the lowest per capita GDP in South America but is also among the worst in terms of basic wellbeing achievements or what Sen calls 'functionings' (see Table 1). In fact, Peru is the South American country with the highest rate of incidence of tuberculosis and is the second worst in terms of the prevalence of anaemia among children, open defecation, access to basic sanitation services and access to Internet, and vulnerable employment. Furthermore, despite countrywide access to education, quality of public education is still remarkably disappointing, as suggested by the results of the 2015 PISA test,<sup>11</sup> which placed Peru in the last position among all the South American countries in two of the three areas that are included in the global evaluation.

If one combines, however, information about per capita GDP and the above indicators, it could be argued that the current situation of Peru could be explained by its relatively low income level. Therefore, increasing economic growth could eventually generate a trickle-down effect from income to other basic wellbeing achievements. This relationship remains nonetheless far from self-evident since public expenditure in crucial areas is even lower in Peru than in countries with poorer economic performances.

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<sup>11</sup> PISA is the Program for International Student Assessment, which seeks to evaluate education systems worldwide by testing the skills and knowledge of 15-year-old students, see <http://www.oecd.org/pisa/aboutpisa>.

Table 1. Selected indicators, South American Countries

	GDP per capita (constant 2010 US\$), 2016	Public expenditure by functional classification				Health		Education			Basic Services		Connectivity	Work
		Health (% GDP), 2015	Education (% GDP), 2015	Social Protection (% GDP), 2015		Incidence of tuberculosis (per 100,000 people), 2015	Prevalence of anemia among children (% of children under 5), 2016	Averages for PISA science scale, 2015	Averages for PISA mathematics scale, 2015	Averages for PISA reading scale: overall reading, 2015	People practicing open defecation (% of population), 2015	People using basic sanitation services (% of population), 2015	Individuals using the Internet (% of population), 2016	Vulnerable employment, total (% of total employment), 2015
Argentina /a	10149	7.1	6.6	14.1	/c	25.0	22.2	432.2	409.0	425.3	1.4	94.8	70.2	21.2 /b
Bolivia /b	2458	1.9	5.8	5.9 /b	/d	117.0	46.9	n/a	n/a	n/a	14.5	52.6	39.7	54.7 /b
Brazil /b	10826	5.1	5.6	13.2	/d	41.0	25.1	400.7	377.1	407.3	2.0	86.1	59.7	24.2 /b
Chile /c	15020	4.4	4.7	6.3	/e	16.0	20.0	n/a	n/a	n/a	0.1	99.9	66.0	21.9
Colombia /b	7526	4.9	4.6	9.1	/d	31.0	26.6	415.7	389.6	424.9	3.9	84.4	58.1	46.7
Ecuador /c	5210	2.5	4.5	0.9	/e	52.0	27.7	n/a	n/a	n/a	3.0	86.1	54.1	40.0
Paraguay /c	6089	2.7	4.3	5.0	/e	41.0	25.7	n/a	n/a	n/a	0.4	91.2	51.3	39.3
Peru /d	3928	3.7	3.8	3.1	/f	119.0	31.9	396.7	386.6	397.5	7.3	76.8	45.5	46.1
Uruguay /c	14010	3.0	4.4	6.8	/e	30.0	23.1	n/a	n/a	n/a	0.5	95.7	66.4	22.4 /b
Venezuela, RB /c,e	14462 /a	1.7	5.7	3.6	/e,g	29.0	30.0	n/a	n/a	n/a	4.9	94.9	60.0	30.3 /a

Source: ECLAC (2017), World Bank (2017)

a/ 2013 data  
b/ 2014 data  
c/ non financial public sector  
d/ general government

e/ central government  
f/ public sector  
g/ 2009 data

Specifically, although per capita GDP in Bolivia (the poorest country in the region), is just 62% of the per capita GDP of Peru, Bolivian public expenditure on education and social protection is, respectively, 2 and 2.8 percentage points higher. In that respect, exploring the relationship between economic growth and development is particularly relevant since, as pointed out by Drèze and Sen (2011), ‘Growth, of course, can be very helpful in achieving development, but this requires active public policies to ensure that the fruits of economic growth are widely shared, and also requires – and this is very important – making good use of the public revenue generated by fast economic growth for social services, especially for public healthcare and public education’.

In contrast to the attention paid to economic growth in political and academic debates in Peru, or what Sen would call ‘public reasoning’, the way in which its fruits are shared has received considerably less attention. It is revealing that the term ‘inequality’ is not explicitly mentioned even once in the latest Revised Multiannual Macroeconomic Framework (MMF) 2017–2019 (Ministry of Economy and Finance, 2017), a document that sets the main guidelines of social and economic policy in Peru. The MMF announces the implementation of a set of ‘structural reforms’ whose main goal is to ‘achieve a potential growth of 5% in the medium term through higher capital accumulation’ (MMF, 2017, p. 6). In this regard, improvement in access to public services is mainly considered as an essential means to expand the formalization of the economy and, in turn, to sustain economic growth. This lack of attention paid to matters of inequality contrasts with the recent evolution of the Gini coefficient which, according to the estimates of the Peruvian National Institute of Statistics and Information (*Instituto Nacional de Estadística e Informática*, or INEI), has virtually stopped decreasing since 2013 (INEI, 2017a).

Broadening the informational space to evaluate states of affairs in Peru reveals that there is still much to be done to overcome some critical limitations of current policy reforms. In spite of this lack of progress, it is also important to acknowledge that there has been some significant progress in, for instance, reducing monetary poverty. The national headcount rate has decreased from 42.4% in 2007 to 20.7% in 2016 (INEI, 2017a). Nevertheless, although economic growth may have had some impact on improving some basic wellbeing achievements at the national level (García and Céspedes, 2011), its effects on reducing the gap between, for instance, urban and rural areas in many deprivation indicators have been limited. Recognizing this, a major reform in social protection policies took place in 2011 with the creation of the Ministry of Development and Social Inclusion (*Ministerio de Desarrollo e Inclusión Social*, or MIDIS). Following the argument advanced in CCSW about incomplete rankings, the next section analyses this milestone of recent Peruvian development policy and illustrates why Sen’s proposition – that one does not need complete agreement about ranking alternatives – matters.

#### **4. Between the Ideal and the Feasible: The creation of the Ministry of Development and Social Inclusion**

The 2011 presidential elections in Peru occurred against an intense confrontational political-ideological background. As a result, the nationalist candidate Ollanta Humala was elected by a very small margin and was immediately forced to change his reformist discourse about ‘great transformation’ to a much more moderate ‘road map’ that had been agreed upon with other centre-right political forces and local economic elites. The great transformation was a program aligned with a reformist position such as that described above by Jiménez – he was in fact one of the authors of the policy proposal. In contrast, the road map was a program focused on implementing incremental changes to the development model from a perspective similar to that of Ghezzi and Gallardo, who were appointed afterwards by Humala as ministers of Production, and of Transport and Communication, respectively.

The political narrative of Humala’s government was centred on the idea of increasing ‘social inclusion’ for the poor and marginalized. Although some have suggested that his mandate period (2011–2016) was characterized by continuity with previous presidents (Barrenechea and Sosa, 2013) and a lack of significant political and economic reforms (Fernández, 2013), and that his reforms constituted a missed opportunity to implement an alternative economic model (Valencia, 2016), major changes in social protection policies were however implemented.

The development context of Peru in 2011 was one of significant gaps between urban and rural areas in indicators of monetary poverty, unmet basic needs, education, and nutritional status. There was a reasonable level of agreement – supported by reliable statistical information – around the idea that, although economic growth had been correlated with a decreasing trend in average national poverty indicators, it had not been enough to reduce inequality in wellbeing achievements, and the rural population had been left behind.

While it was clear that relying on the trickle-down effect would have been neither an effective nor an acceptable strategy to reduce such deprivations and inequalities, there was no consensus on the ‘ideal’ kind of ‘growth-mediated’ development strategy to be followed. One option would have involved radical reforms in line with the ideas presented in the great transformation. This alternative sought to change the development model by transforming the institutions underpinning extractive activities, strengthening the domestic market, and changing the productive matrix to improve labour conditions and reduce inequality. Nonetheless, as comprehensive and ambitious as the reform was, some argued that it was not a feasible alternative (Ghezzi and Gallardo, 2014).



A second alternative, more similar to the road map, would have been to maintain existing macroeconomic policies and establish a set of social protection policies targeted to specific geographical areas and population groups. From this perspective, the prevalence of deprivation and inequality were considered as isolated limitations of the model to be addressed by specific policy interventions. However, this alternative was not free from criticism since, as has been suggested by the Jiménez/Ghezzi and Gallardo debate, the fact that progress in the wellbeing pillars was lagging behind could be considered a direct consequence of the model, and not something that could be overcome merely by incremental amendments to the existing development model.

The policy strategy that was finally chosen was closer to the second alternative. In October 2011, MIDIS was created based on an eclectic human development narrative that followed three main guidelines: reduction in the gaps in wellbeing achievement, achievement of people-centred results, and integration of temporary policies of poverty alleviation, capacity building, and opportunity creation for next generations (Trivelli and Vargas, 2015).

A hundred days after its creation, MIDIS established a set of policy goals based on a group of six indicators of monetary and non-monetary deprivation (see Table 2). These goals were set for a period of five years, taking as a reference the entire population and also a specific group called ‘Population in Process of Inclusion’ (*Población en Proceso de Inclusión*, or PEPI), which corresponded to the group of people who faced at least three of four ‘exclusion circumstances’. These exclusion circumstances were as follows: being part of a rural household, being part of a household led by a woman with low educational achievement, having an indigenous language as a mother tongue, and being in the lowest quintile of income distribution (MIDIS, 2012).

As Trivelli (2017) has pointed out, five years after the creation of MIDIS, four of the six goals set for the entire population had been achieved, as well as three of the six goals for the PEPI. The majority of the achieved goals involved indicators that are closely related to the kind of social intervention directly implemented by MIDIS (for instance, conditional cash transfers and non-contributory pensions). In contrast, indicators related to access to non-market basic services or food security showed a lower degree of achievement.

Although the gap between an average Peruvian citizen and a member of the PEPI remains far from being eliminated, the data suggest that considerable progress has been made regarding the situation of the poorest and marginalized. In that sense, although some criticisms have been raised about the limits

Table 2. Social Development Indicators, Peru, 2010-2016 (in percentages)

	Indicator	Baseline (2010)	Observed (2016)	Goal (2016)
PEPI	Extreme monetary poverty headcount	36.2	19.71	19.3
	Monetary poverty gap	32.1	19.87	17.5
	Extreme monetary poverty headcount excluding public transferences	48.9	35.31	26.2
	Households with access to basic infrastructure (water, sanitation, electricity and communication)	9.5	27.36	46.1
	School attendance of children between 3-5 years old	60.9	82.75	78.4
	Children with chronic malnutrition	50.7	35.09	23.8
Total Population	Extreme monetary poverty headcount	7.6	3.8	5
	Monetary poverty gap	9	4.98	6
	Extreme monetary poverty headcount excluding public transferences	10.5	6.89	7
	Households with access to basic infrastructure (water, sanitation, electricity and communication)	58.5	69.72	70
	School attendance of children between 3-5 years old	73.8	85.93	85
	Children with chronic malnutrition	23.2	13.1	10

Source: Trivelli (2017)

of MIDIS's ability to integrate an explicitly multidimensional poverty approach (Vásquez, 2012), its creation and the social policy reform it implied were a major opportunity to transform the fruits of economic growth into wellbeing achievements.

In spite of the positive results mentioned above, there is no consensus yet on which is the 'best' development strategy that Peruvian society should follow in order to sustain poverty and inequality reduction. Confronted with this intense disagreement, this section has attempted to show that the line of

thinking opened by Sen in CCSW is useful for analysing and guiding the choice-making process in development policy within the context of the incomplete ordering of alternatives. One group of people ranked the option of a great transformation of the current development model in order to reduce poverty and inequality (option ‘x’) better than option ‘y’ (the road map). In contrast, another group ranked option ‘y’ better than ‘x’. The fact that ‘x’ could not be ranked against ‘y’ did not mean paralysis of action – and a Buridan ass starved to death through the search for optimality. The creation of MIDIS, or adoption of a form of option ‘y’, sought not to make radical institutional reforms – which could put in danger what has already been achieved – but to make incremental amendments to the existing development model. As it was unclear which specific kind of ‘growth-mediated’ alternative (x or y) could be ranked as ‘best’, and thus there was no optimal solution to this election problem, a maximal solution was chosen since both ‘x’ and ‘y’ are clearly better than the third alternative ‘z’ of ‘unaided opulence’. Limited and impure as they might seem, the implications of adopting this maximal solution for untangling the political efforts to achieve a more just society in Peru could be remarkable.

## 5. Public Reasoning and the Priorities of the Poor

Due to the positive results of MIDIS policies, the lessons learned, and the continued urgency of reducing poverty and inequality, it would have been reasonable to expect the development of a second wave of social policy reforms aimed at improving the achieved results and including other kinds of interventions related to non-monetary poverty dimensions. However, in the context of an economic slowdown and change of government, the enthusiasm for social policy reforms seems to have waned and Peru’s social development policies have entered a disappointing ‘cruise control’ stage.

Even when the social policy reforms begun under Humala’s presidency have not been undone, the centre-right government of his successor Pedro Pablo Kuczynski (2016–2021) has significantly reduced the emphasis on social inclusion in the public policy agenda and replaced it with a renewed focus on capital accumulation, increased productivity, and economic growth. (Ministry of Economy and Finance, 2017) Moreover, this productivist-modernization policy discourse has also started to permeate social policies. MIDIS has adopted a narrative centred on the role of entrepreneurship and the development of productive skills among the poor (MIDIS, 2016) and on ‘investment’ in child development. Without such priorities, it is argued that Peru could otherwise ‘lose the possibility of ensuring high-quality human capital and we will not be competitive’ (MIDIS, 2017). Why this change of policy priorities?

The analysis proposed in CCSW regarding the role of public reasoning processes in policy decision-making can illuminate how the priorities of the most disadvantaged in policy agendas could be sustained over time. The argument that CCSW put forward is that the exclusion of the priorities of the

disadvantaged from policy priorities reflects a lack of empathy among the most advantaged of society – a failure of the most advantaged to see the world from the perspective of the underprivileged. As recent social policy in Peru illustrates, even when marginalized people, such as rural population groups, are included in the public agenda at some point, their inclusion is fragile and vulnerable. They are at risk of being re-excluded at any time. The fragility of their inclusion in policy priorities is set against a background of political parties with low legitimacy and fragmented political mobilization in rural areas (Barrenechea and Sosa, 2014).

The weakness of public reasoning goes beyond the setting of social policy priorities and touches the core of Peruvian democracy. According to information provided by INEI (2017b) 45.9% of the Peruvian population do not know what democracy is, 52% believe that Peruvian democracy performs badly or very badly, 67.9% agree that a democratic government is always preferable to other kinds of political regimes, and only 26.7% declare that democracy is useful to improve their wellbeing and that of their families. Although limited, this information provides a first general diagnosis of the fragility of Peruvian democracy.

From a local perspective, the weakness of public reasoning in recent Peruvian history has been particularly manifested in the way in which the government has dealt with indigenous groups in the context of socio-environmental conflicts. During the presidencies of Alan Garcia (2006–2011) and Ollanta Humala (2011–2016), the number of conflicts increased from 20 in December 2006 to 146 in December 2016 (Defensoría del Pueblo, 2006, 2016), mostly due to the concerns of rural populations about the environmental consequences of extractive activities in their territories.

As has been pointed out by Valencia's research (2016) on human rights and the extractive industry in Peru, the Bagua conflict that took place in Peruvian Amazonian territory in June 2009 is 'by far one of the most unfortunate episodes in the history of conflicts in the extractive industry' (2016, p. 133). The source of the conflict was a set of executive ordinances intended to increase private investment in territories claimed by indigenous people. The disagreement between the government and the local population on the application of such ordinances led to a series of protests. The protests reached a critical point after local protesters blocked the Pan-American Highway for several days. The government ordered the police to intervene and violent clashes erupted, culminating in 33 fatalities among both the local population and the police<sup>12</sup> (Valencia, 2016). The Bagua case was a clear example of a confrontation between a modernization discourse and indigenous values that, translated into the public arena, show the limits of public reasoning in Peru to sustain a genuine process of deliberation based on Sen's proposal

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<sup>12</sup> For an analysis of the Bagua conflict from the perspective of international law and de-coloniality, see Merino (2015).

and Adam Smith's impartial spectator. Instead, the official position promoted by President Alan García assumed the narrative of 'the dog in the manger syndrome'. According to this idea, the indigenous people are the 'dog' who embraces the non-modern value of considering the land as 'sacred' and therefore choose to keep it as 'idle', thus preventing the entire country from taking advantage of natural resources in order to generate growth.<sup>13</sup>

In CCSW, public reasoning is a central element in the process of choosing among alternative options. However, there can be 'bad', 'good', and 'better' public reasoning. During the launch of CCSW in Oxford in January 2017, Sen affirmed that one did not need to have a definition of 'public reasoning' in order to say that the public deliberation process that led to Trump being elected and the decision of the UK to leave the EU could have been better. Bad public reasoning, of which the Bagua massacre is an outcome, can be overcome, Sen argues, by better public reasoning, an essential component of which is the capacity to genuinely include and recognize all the members of a society as relevant actors whose reasons and points of view are worth hearing and being considered.

## 6. Conclusion

In the revised edition of *Collective Choice and Social Welfare*, Sen has offered a magnificent overview of his long academic career and contributions to thinking about questions of development and justice. In this paper, we have concentrated on three contributions: (1) the expansion of the informational basis for evaluating states of affairs; (2) the recognition that it is not always possible to rank different courses of action against each other and that searching for the best solution may be a much worse outcome than searching for a better solution to the status quo; and (3) the necessity of including the perspectives of the disadvantaged in policy decision-making processes. We have sought to illustrate the value of these contributions for analysing the development trajectory of Peru and the policy decisions that have been made in the last decade.

Sen's main proposal is not so much something to be 'operationalised' as a new way for seeing the world and judging states of affairs. A main challenge remains, of course, how to act to change states of affairs and make them better. A central premise of *Collective Choice and Social Welfare* is that one cannot act differently without first seeing things in a different light and judging the world differently. Utilitarianism and social contract theory have been the dominant frameworks for seeing, judging, and acting in the

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<sup>13</sup> In a television interview, García affirmed that 400,000 indigenous had no right to prevent the development of 28 million Peruvians and that they are second-class citizens and want to lead Peru to a pre-modern age, see 'Alan García: Indígenas: Ciudadanos de Segunda Clase', [here](#). The 'dog in manger syndrome' was first expressed in a column by the President in the daily newspaper *El Comercio* in October 2007.

world since the Enlightenment. With his capability approach, Sen has not proposed an alternative normative *theory* but an alternative *approach* for seeing and judging the world from the perspective of the actual lives that people live – who they are and what they do, not just what they have or how they feel but the reality of their lives and not an imagined perfect state of nature. We have only started to scratch the surface of the far-reaching implications of this novel moral approach for thinking about questions of development and social justice.

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