

Human Development and the Capabilities Approach

Development Economics, Lecture 3

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Recap and placement of the topic

- **Session 1:** Grand theories of development
- **Session 2:** how to measure development
- Now: how to operationalize development in practice?
 - Concrete guidelines for which indicators to choose
 - But also how to interpret them and be wary of their limits
- **Puzzle:** similar incomes \leftrightarrow different development outcomes

Learning objectives

- Explain conceptual shift: income/utility-based approaches → **capabilities**
- Understand concepts of **functionings**, **capabilities**, and **agency**
- Understand and critically evaluate the **Human Development Index (HDI)**
- Analyze the Sen-Nussbaum debate on **universalism vs. contextual deliberation** in the context of desirable capabilities
- Apply **capabilities thinking** to real development challenges

From Income to Capabilities

The origins of the capability approach

- Developed against the dominant view of development = growth of incomes
- Central figures: Amartya Sen and Martha Nussbaum



Amartya Sen (*1933)

- Important works on expanding utilitarian views of development
- Freedom, functionings, capabilities, plurality, democracy,...
- Philosophical foundations and a capability theory of justice
- Defended the idea of fundamental capabilities and human dignity



Martha Nussbaum (*1947)

Motivation: a thought experiment

- Consider two people, each with 30,000 EUR of annual income

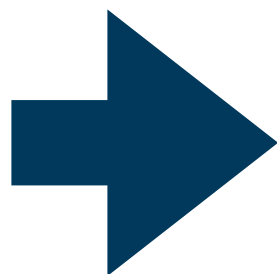
Person A:

Healthy, lives in
city with good
infrastructure

Person B:

Mobility disability,
lives in rural area with
poor accessibility

- Same income, same development level?



What matters is not just what you have...
...but what you can do

Core concepts of Sen's capability approach

Ressources and conversion factors

- **Resources:** commodities or goods people can access
 - Income and wealth
 - Food, consumer goods, land, property
 - Access to public services, social connections and networks
- **Conversion factors:** shape what we can do with resources
 - Personal: metabolism, physical abilities, intelligence,...
 - Social: public services, discrimination, social norms,...
 - Environmental: climate, geography, ...
- Ressources and **means, not ends**

Core concepts of Sen's capability approach

Functionings

- **Functionings:** beings and doings that people achieve
 - Being well-nourished
 - Being educated
 - Being healthy
 - Being able to participate in community life
 - Being mobile
 - ...
- Functionings are **achievements** (or ends in themselves), **not just means**

Core concepts of Sen's capability approach

Capabilities

- **Functionings:** beings and doings that people achieve
- **Capabilities:** real freedoms or opportunities to achieve functionings
- **Capability set:** all possible combinations of functions a person *can* achieve

Person A:
Fasts (i.e. chooses
not to eat)

Person B:
Starves (cannot eat)



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Commentary

Frugality as a choice vs. frugality as a social condition. Is de-growth doomed to be a Eurocentric project?

Roldan Muradian 

- Same functioning (not eating), different capabilities
- Capabilities matter: freedom to choose is **intrinsically valuable**

Core concepts of Sen's capability approach

Agency

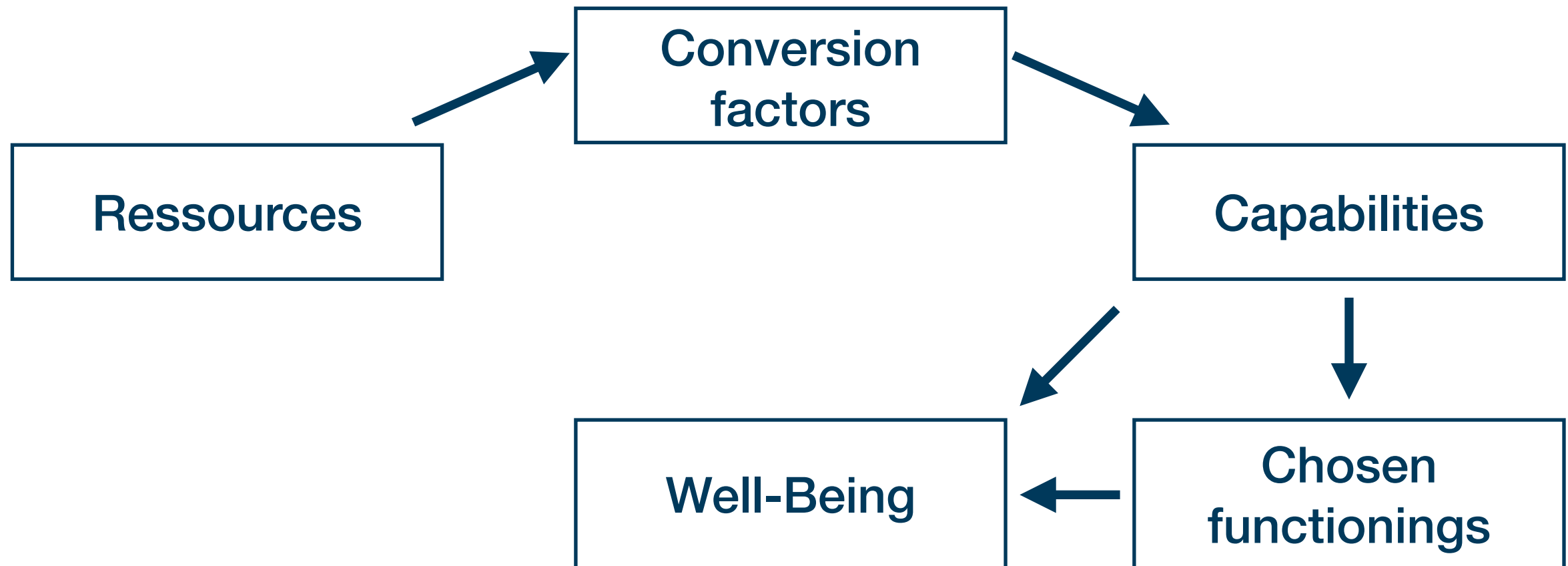
- Traditional view of development activities:
 - Patients receive medicine
 - Students are being taught
 - Poor people receive charity
- Fundamentally wrong: outcomes good, but **process matters**
- **Agency**: People as active participants choosing which functions to pursue
 - Not passive recipients of benefits
 - Development must not be done to people
 - It is something people do themselves

Core concepts of Sen's capability approach

Agency

- **Well-being freedom:** capabilities that affect your own well-being
 - Your ability to be well-nourished
- **Agency freedom:** capabilities to pursue goals you value
 - Parents working for children's education
 - An activist fighting for community rights
- People care about more than their own wealth
- Development happens only when people **understand and want** changes
- Empowerment as a means and end of development

The capabilities framework



Interactive exercise

The Sen-Nussbaum debate on universal capabilities

Martha Nussbaum: We need a universal list

- Nussbaum argues for a universal and binding list of capabilities for these reasons:
 - Vagueness → injustice and lack of accountability
 - Universal human dignities exist, so do capabilities
 - Lack of thresholds → problems go unnoticed



Martha Nussbaum (*1947)

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- | | |
|--|--|
| I. Life (normal lifespan) | VI. Practical reason (form conception of good life) |
| II. Bodily health (nourishment, shelter) | VII. Affiliation (live with others, social respect) |
| III. Bodily integrity (movement, security, reproductive choice) | VIII. Other species (concern for nature) |
| IV. Senses, imagination, thought (education, expression) | IX. Play (recreation, enjoyment) |
| V. Emotions (love, grief, feelings) | X. Control over environment (political & material) |

Amartya Sen: We must not have such list!

- Sen wants a framework for deliberation instead of a list
 - Different societies face different challenges and preferences
 - Danger of paternalism and cultural imperialism
 - Values pluralism: Reasonable people can disagree
- Instead he highlights five (classes of) capabilities because they are especially **mutually reinforcing, foundational** and are **empirically relevant**
 1. **Political freedoms:** Civil rights, free speech, elections
 2. **Economic facilities:** Market access, employment, credit
 3. **Social opportunities:** Education, healthcare, social services
 4. **Transparency guarantees:** Information, accountability
 5. **Protective security:** Safety nets, disaster relief



Amartya Sen (*1933)

The Sen-Nussbaum debate matters!

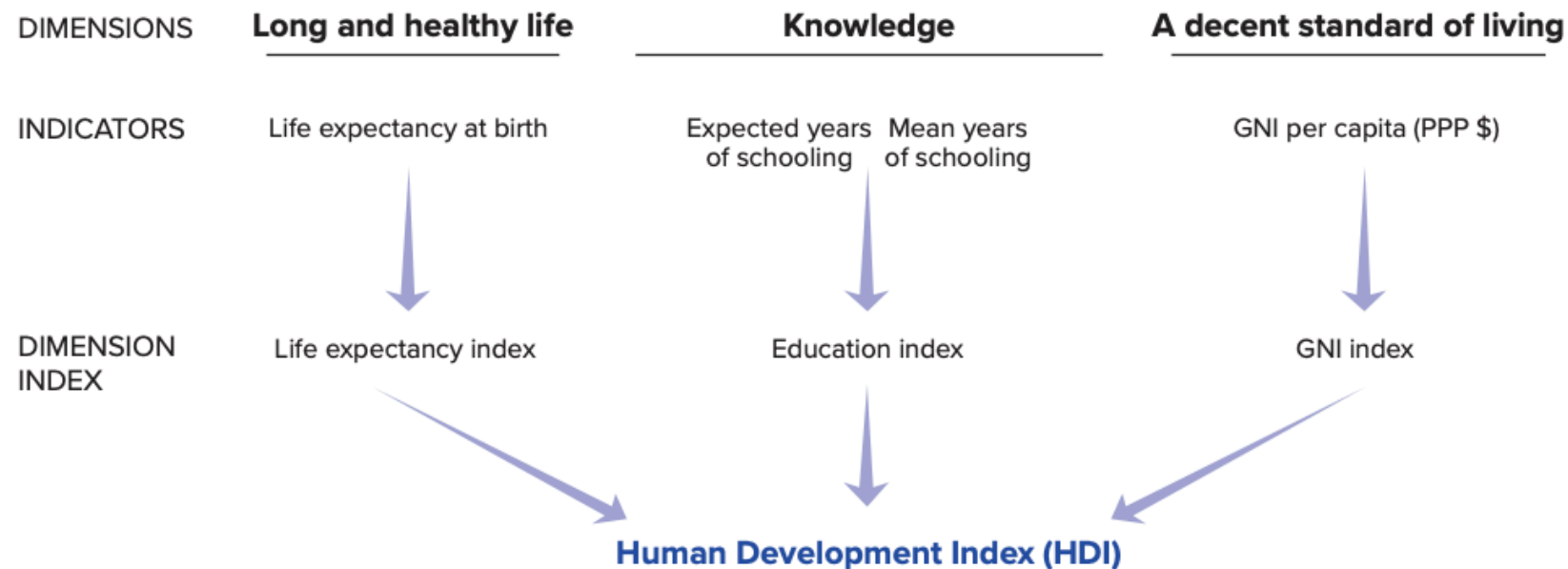
- This debate is **not simply about philosophy**
- It touches on practically highly relevant questions
 - Can you design effective policy without a clear list?
 - Can you protect human rights without imposing values?
 - How do we balance universal standards with cultural diversity?
- **Real-world impact** on how international organizations work!
- Good example: the human development index (HDI)

Capabilities in practice: The Human Development Index

The Human Development Index

- Created by Mahbub ul Haq (Pakistani economist) with input from Sen
- **Political goal:** Create **alternative to GDP** simple enough for the media
- **The challenge:** Operationalize capabilities theory in ONE number
- **The compromise:**
 - Doesn't capture all capabilities (impossible!)
 - Focuses on 3 foundational dimensions
 - Trades comprehensiveness for political impact

The Human Development Index



- The three dimension indices are aggregated by their **geometric** mean

Country A:
Health: 0.8
Education: 0.8
Income: 0.8

Country B:
Health: 0.9
Education: 0.9
Income: 0.6

Arithmetic mean:

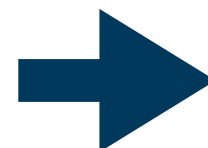
$$HDI_A = \frac{(0.8 + 0.8 + 0.8)}{3} = 0.8$$

$$HDI_B = \frac{(0.9 + 0.9 + 0.6)}{3} = 0.8$$

Geometric mean:

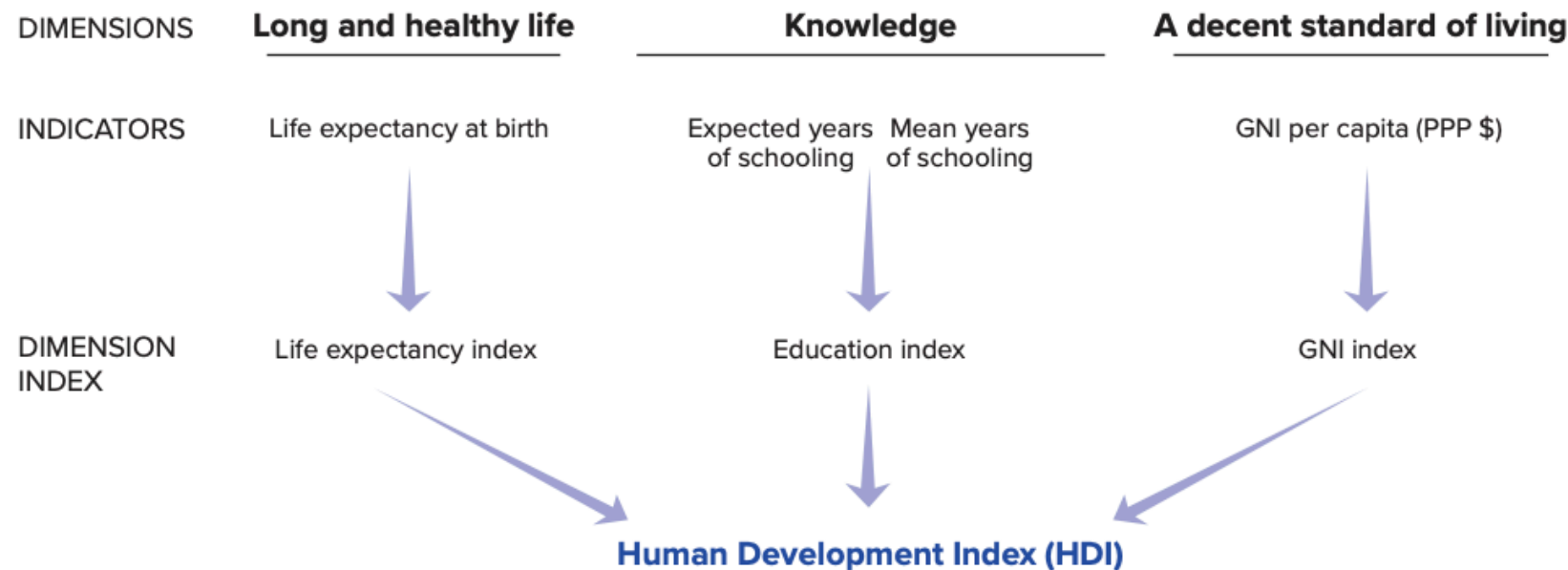
$$HDI_A = \sqrt[3]{0.8 \times 0.8 \times 0.8} = 0.8$$

$$HDI_B = \sqrt[3]{0.9 \times 0.9 \times 0.6} = 0.793$$



Penalizes imbalances, against substitutability of capabilities

The Human Development Index



Dimension	Indicator	Minimum	Maximum
Health	Life expectancy at birth (years)	20	85
Education	Expected years of schooling (years)	0	18
	Mean years of schooling (years)	0	15
Standard of living	GNI per capita (2021 PPP \$)	100	75,000

Example: Benin (2023 HDI)

Indicator	Value
Life expectancy at birth (years)	60.8
Expected years of schooling (years)	10.4
Mean years of schooling (years)	3.2
Gross national income per capita (2021 PPP \$)	3,806

Note: Values are rounded.

$$\text{Health index} = \frac{60.8 - 20}{85 - 20} = 0.628$$

$$\text{Expected years of schooling index} = \frac{10.4 - 0}{18 - 0} = 0.578$$

$$\text{Mean years of schooling index} = \frac{3.2 - 0}{15 - 0} = 0.213$$

$$\text{Education index} = \frac{0.578 + 0.213}{2} = 0.396$$

$$\text{Income index} = \frac{\ln(3,806) - \ln(100)}{\ln(75,000) - \ln(100)} = 0.550$$

$$\text{Human Development Index} = (0.628 \cdot 0.396 \cdot 0.550)^{1/3} = 0.515$$

Beyond HDI

- The UNDP now publishes a number of HDI-like indicators
 - **Inequality-adjusted HDI** (IHDI): Adjusts for distribution
 - **Gender Development Index** (GDI): Female vs. male HDI
 - **Gender Inequality Index** (GII): Reproductive health, empowerment, labor
 - **Multidimensional Poverty Index** (MPI): Overlapping deprivations
 - **Planetary Pressures-Adjusted HDI** (PHDI): Environmental sustainability
- Recognition of the political compromises of the HDI

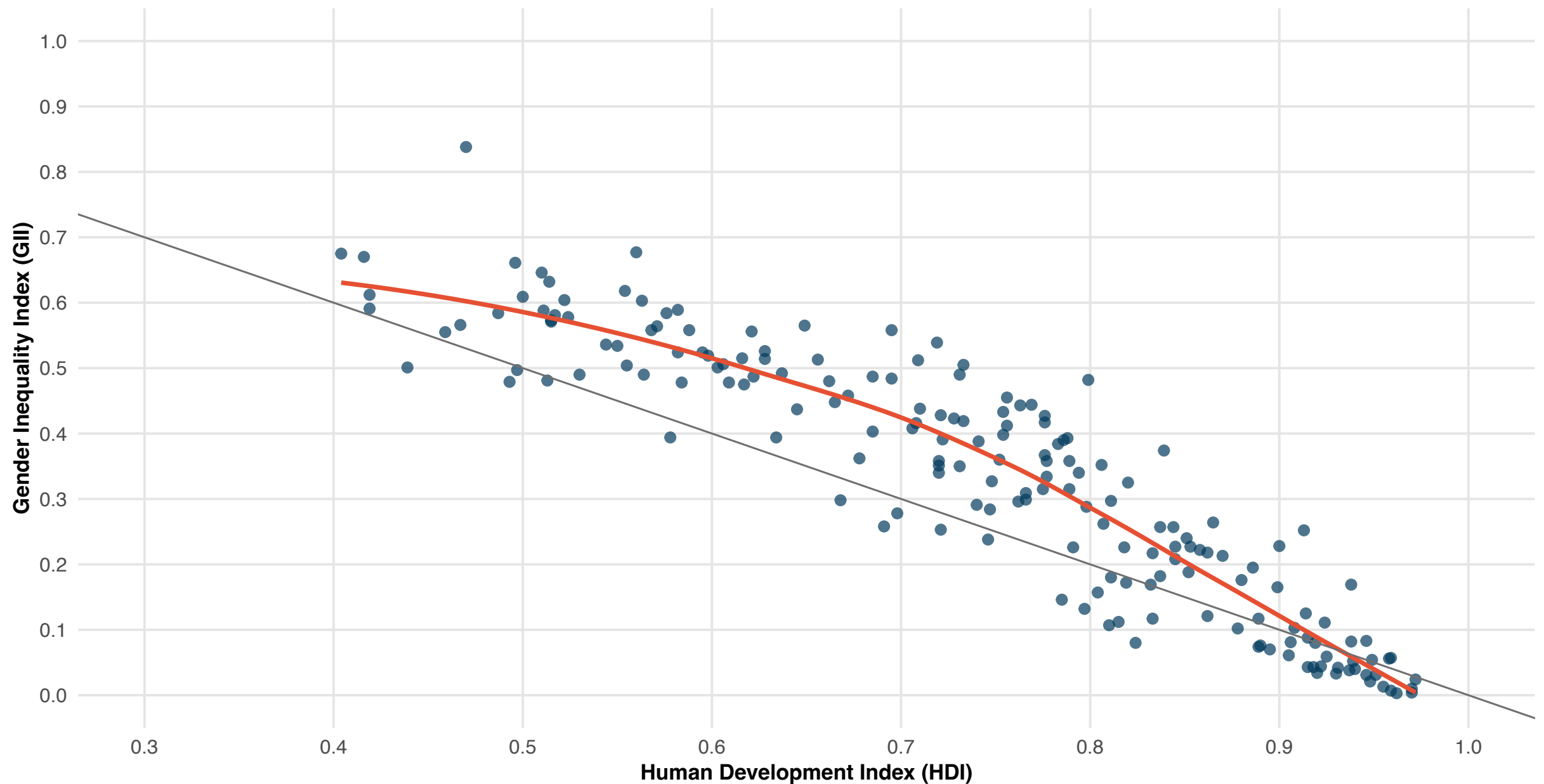
Beyond HDI: The Gender Inequality Index

- The Capability Approach resonates well with feminist economics's concerns
 - **Adaptive preferences:** Women who internalize subordination may not 'desire' education
 - **Intrahousehold inequality:** Income hides inequalities within families
 - **Reproductive autonomy:** Control over body as central capability
 - **Care work:** Unpaid work affects capability to participate in other spheres
- Three dimensions of GII:
 - **Reproductive health:** Maternal mortality, adolescent births
 - **Empowerment:** Parliamentary seats, secondary education
 - **Economic status:** Labor force participation

Beyond HDI: The Gender Inequality Index

HDI and Gender Inequality

Higher human development associated with lower gender inequality (2023)



Source: UNDP Human Development Report 2025

Conclusion and outlook

Where capabilities thinking is important today

- **Sustainable Development Goals (SDGs)**
- **Social protection programs:** often focus on enabling agency
- **Impact evaluation:** Participatory approaches asking about valued capabilities
- **Constitutional rights:** South Africa, India incorporate capabilities language
- **Development organizations** increasingly adopt capabilities frameworks
- Appears more relevant internationally than nationally, esp. in Germany

Contemporary debates

- Cultural **relativism vs. universalism**: Are capabilities culturally specific?
- **Selection** problem: Who decides which capabilities matter?
- **Measurement** challenge: How to measure opportunities vs. outcomes?
- **Weighting** problem: How to make trade-offs between capabilities?
- **Sufficiency vs. equality**: Threshold focus or equality concern?
- **Global dependencies**: When some be free at the expense of others?

Summary

- Capability approach as an answer to income-centered views
- “Having” → “Being” and “Doing”
- Sen-Nussbaum Debate about universality still relevant
- HDI as a pragmatic and incomplete compromise
- UNDP is moving towards dashboard approach with many indicators
- Philosophically and practically very influential, especially internationally

Outlook

- Starting next weeks: **different paradigms** of development economics
 - **(Neo-)Classical growth models**
 - Institutional economics
 - Marxism and Dependency Scholarship
- Focus on **capital accumulation** and **technological change**
- The question of **convergence** and the hidden drivers of growth
- Capabilitiy theory prevents us from giving income too much room
- Still, income is important → growth models are insightful