Human Development: Which Way Now?

Nuno Ornelas Martins*

Abstract

The capability approach to human development, which has been very influential within the United Nations Development Programme, has been instrumental in bringing out an emphasis on final goals of development connected to the expansion of human freedom. Because these final goals are also seen as means for further development, there is a tendency to neglect other means of development, such as changes in the productive structure and in the distribution of power within the relations of production. Here I assess the intellectual origins of the capability approach to human development, and its influence on development discourse. I argue that it is important to bring back to development discourse, and to the capability approach to human development in particular, a concern with productive structures that characterised earlier approaches to development centred on industrialisation. This requires a greater focus on how power relationships in productive systems influence human capabilities.

Keywords: Human development, human capabilities, productive systems, power relationships, economic theory.

* Universidade Católica Portuguesa, Católica Porto Business School and CEGE, Rua Diogo Botelho 1327, 4169-005 Porto, Portugal. E-mail: nmartins@porto.ucp.pt

ORCID: http://orcid.org/0000-0001-7966-6435

Introduction

Recent transformations in development discourse have been in the direction of moving away from productive systems, while focusing essentially on the goals of development, be it the Millennium Development Goals, the Sustainable Development Goals, and other goals connected to the measurement of human well-being (Chang 2010). The evolution of the field of welfare economics contributed much to this state of affairs. A particularly influential approach along these lines has been the capability approach to human development, originally advanced by Amartya Sen (1982, 1985), which has been widely influential within the United Nations Development Programme. This more 'humanistic' view of development, as Ha-Joon Chang (2010) calls it, stands in contrast to a 'productionist' view that characterises earlier approaches to development, which were focused on how the developmental state can foster the transformation of productive systems, and the process of industrialisation in particular (Kaldor 1978; Chang 2002, 2010).

The term 'productionist' is not defined clearly by Chang (2010), as it is aimed at covering a general concern with production. There have been proposals of combining the capability approach to human development with a concern with production, focusing more specifically on the classical theory of production as developed by Piero Sraffa (1960), which like Sen's contribution, is connected to the Cambridge economic tradition (Martins, 2013). Such proposals have been made by Vivian Walsh (2000, 2003) and Hilary Putnam (2002) – see also Putnam and Walsh (2012) and Martins (2013) for further elaborations. This suggestion is particularly useful for addressing global value chains (Gereffi, Humphrey and Sturgeon, 2005) not least because Sraffa (1925, 1926) showed that the classical theory of production is more adequate for dealing with interconnected production systems than neoclassical economic theory, as Sen (2003) himself notes.

Sraffa's argument is even more plausible now, when global value chains are even more interconnected. Sen's (2003) own research on Sraffa sheds light on this issue, by noting how Sraffa's (1960) analysis of production does not presuppose constant returns to scale, which means it can be used in the analysis of various types of production networks regardless of the nature of the returns to scale. But this concern with production, and what Chang (2010) calls the 'productionist' view, has been essentially neglected within the capability approach to human development.

Sen (1983) argued, in an article titled 'Development: Which Way Now?' that development economics, conceived as a concern with industrialization, was facing a crisis given the emergence of neoclassical economics and its emphasis on the market sphere, while replying to critiques of Albert Hirschman, and advancing the capability approach to human development as an alternative, together with Sen's (1981) entitlement approach to poverty. Sen (1983) argues that traditional approaches to development centred on industrialisation were successful in identifying the causes of economic growth, but failed in providing a fuller characterisation of development, which according to Sen should be seen as an expansion of human capabilities.

I argue below that the project of human development is now also facing its own dilemma, which springs from an excessive concentration on measuring human capabilities conceived as final goals of development, while neglecting the more 'productionist' view of development as argued by Chang (2010). However, I shall also argue that a return to the 'productionist' approach to development is not incompatible with Sen's more 'humanistic' approach, especially if we take into account the existing attempts of integrating the capability approach to human development with the classical theory of production (Walsh 2000, 2003; Putnam, 2002; Putnam and Walsh 2012; Martins 2013).

Particularly important in this regard is the role of power relationships in the productive system (Braverman 1974, Wilkinson 1983). Human relations within production systems are a central topic of analysis for Antonio Gramsci, who Sen (2006, p. 119) credits as 'perhaps the most innovative Marxist philosopher of the twentieth century', while also arguing that Gramsci was a central influence for Sraffa and Wittgenstein (Sen, 2003). The role of power relations in production is especially present in Gramsci's (1992, 1996, 2007) analysis of Fordist productive systems (Martins, 2017). The role of power relations in production is particularly important at a moment when there is much uncertainty on the impact of technological change on the skills and human capabilities that are necessary for engaging in several production activities, an aspect which can bring important changes to human well-being in the workplace, and to power relationships in production networks. The changes in unemployment that technological change can bring is also a crucial factor for human well-being, and for bargaining power within productive systems (Kalecki, 1971).

But before arguing for a return to a more 'productionist' view, I shall start by explaining how the evolution of economic theory, and of welfare economics in particular, led to a neglect of the study of production, to be replaced with an emphasis on market exchange. Afterwards, I shall explain the emergence of the capability approach to human development, and how it led towards a concern with final goals measured in terms of the analytical tools developed within welfare economics. I shall then argue that a greater focus on production is necessary, which can be fruitfully undertaken through an analysis of the social and economic reproduction of the conditions of production. This requires studying how social relations of power emerge within productive systems, and social structures in general, a topic which has been neglected within the capability approach to human development, as I shall explain. Some concluding remarks will follow.

Productive systems, welfare economics and neoliberalism

When the field of development emerged after decolonisation, central topics addressed were industrialisation at an economic level, and modernisation at a sociological level. A key question was how economies which were primarily agricultural could develop their industries, and societies which were primarily rural could change from a more traditional form of life to a more modern one. So earlier approaches to the problem of development during the post-war period were built around the idea that development is intrinsically linked to the transformation of the productive system (Chang, 2010). Walt Rostow (1960), for example, conceptualised development in terms of a sequence of stages of growth leading from a traditional society to a society of mass production after industrialisation takes off. In Latin America, there was an attempt of industrialising through the substitution of imports, while trying to maintain the export of primary goods (Furtado, 1964), in contrast to many Asian countries that instead of substituting imports engaged in a sustained path where industrialisation meant their integration in global value chains (Gereffi, Humphrey and Sturgeon, 2005) or global production networks (Henderson, Dicken, Hess, Coe and Yeung 2002), in a process that still continues today.

In fact, the industrialisation of otherwise traditional societies was so ingrained in development discourse that some of the most influential models of economic development (in the western bloc for example) were framed around the idea of a dualism between a traditional sector and a urban industrial sector, where change occurs as population moves from the more traditional sector of the economy to a modern industrial sector (Dasgupta 1954, Lewis 1954). And influential economists like Nicholas Kaldor (1978) argued that there is no way to reach development other

than industrialising, and no possibilities for industrialisation other than protecting infant industries, as Chang (2002) also argued more recently.

In fact, Kaldor (1978) emphasised how effective demand is important not merely for macroeconomic stability, but also for transformations in the productive structure. This concern with industrialisation puts the emphasis on the sphere of production and the planning activities that are required in this regard. In addition to these discussions in the Western world, the Communist world also engaged in several discussions of planning and development where the transformation of the productive system was a central concern (Dobb 1969, 2008). Furthermore, in many of these conceptions, the State was seen as a key player in bringing about the necessary changes in the productive system.

After the oil shocks of the 1970s, the concern with the productive sphere started to switch towards a concern with the market sphere. Developments within the discipline of welfare economics which go back to the 1930s were particularly influential in this respect. In fact, the final goals of development usually advocated today were shaped within the discipline of welfare economics. And the developments within this discipline also had important implications for ideas on whether the State should interfere or not in order to guarantee the fulfilment of those final goals. So it is not really possible to understand how development thinking switched from an emphasis on production towards an emphasis on final goals without understanding the evolution of welfare economics, including not only the impact of this evolution on the definition of the final goals of development, but also its impact on the conceptualisation of the role of the State in bringing about those final goals. Thus, I shall now address briefly the key aspects of the evolution of welfare economics which are relevant to my argument.

Earlier approaches to welfare economics were shaped by the so-called Cambridge 'welfare' tradition, founded by Henry Sidgwick, Alfred Marshall and Arthur Cecil Pigou (Harcourt, 2003; Martins, 2013). In this approach, the final goals to be achieved were defined following the philosophy of utilitarianism, to which Sidgwick was a key contributor, together with Jeremy Bentham and John Stuart Mill. A central presupposition of the Cambridge 'welfare' tradition, systematised more concisely by Arthur Cecil Pigou (1920), is that marginal utility is a decreasing function of income, as widely believed in the economics discipline after the marginalist revolution of the 1870s. But according to Pigou (1920), this means that transfers of income from individuals with a greater income (and thus a lower marginal utility) to individuals with a lower income (and thus a higher marginal utility) increase overall utility. Thus, the economic analysis that springs from the Cambridge 'welfare' tradition provides an argument for redistribution (Putnam 2002, p. 53; Martins, 2013).

But the Cambridge 'welfare' approach leads to a focus on the redistribution of income after the productive process in order to achieve certain welfare goals, rather than on the very process of production and the distribution it entails through the division of labour. This is especially the case for Pigou, who emphasised corrections to market imperfections and externalities without focusing too much on production. Marshall, in contrast, was much concerned with the concrete reality of production and the way in which it is spatially rooted, for example in Marshall's (1890) analysis of industrial districts, or in Marshall's (1919) comparison of different productive structures in various countries. In any case, the idea of redistribution became very influential at Cambridge both amongst those more concerned with production, and amongst those less concerned with it.

In fact, the idea of redistribution became influential not only in the Marshallian-Pigovian approach, but also in Keynesian and Marxian circles in Cambridge. John Maynard Keynes (1936)

provided a study of effective demand noting, as Pigou (1920) had also done, how income transfers to individuals with a lower income, and thus a higher marginal propensity to consume, increase overall consumption, and thus effective demand, as long as investment remains unaffected, which Keynes believed to be the case, since he believed investment to be determined by other forces, namely the difference between the marginal efficiency of capital and the interest rate (Martins, 2011). Keynes (1936) saw this idea as the key for a new social philosophy within economics, where greater income equality enhances not only human welfare, but also economic performance, rather than constraining it. This idea can still help understanding recent phenomena such as the influence of inequality on the 2007-2009 financial and economic crisis (Martins, 2011).

Even Maurice Dobb (1925), the key Marxian economist at Cambridge (and who was also Sen's mentor), used a similar idea in his early writings in order to understand entrepreneurship, noting how those with a higher income have a lower marginal utility for additional income, and thus a lower cost of investing, which means that they are more likely to become entrepreneurs than individuals with less income. That is, Dobb's (1925) approach ultimately implies that those with lower incomes, and thus a higher marginal utility for those incomes, will have a greater reluctance in investing and becoming entrepreneurs. This raises doubts on the usefulness of micro-finance as a means for bringing individuals out of poverty, to which one may add the question of whether productive capabilities can really be developed from an individualistic basis, as Chang (2010) also argues, and as Dobb (2008) also notes in later writings. But in his early writings Dobb (1925) was, just like Keynes, much influenced by a more Marshallian approach to human welfare, and by the social philosophy according to which redistribution brings positive effects to human welfare.

Utility was seen in more objective terms in the Cambridge 'welfare' tradition, rather than as an irreducibly subjective phenomenon. But the Cambridge social philosophy of redistribution

was soon challenged by Lionel Robbins (1938), who argued that there is no scientific basis for comparing utility levels, since utility is an irreducibly subjective phenomenon. This belief led to various arguments for a reconfiguration of the role of the State, which should be merely a legislator that guarantees fundamental rights. For if human preferences are irreducibly subjective and cannot be compared objectively, the best policy option is to set the rules of the game clearly, so that preferences can be revealed in market exchange through prices, which become signals that allow for economic coordination, as argued by Friedrich Hayek, who was with Robbins at the London School of Economics (LSE) at the time and also advocated a subjectivist view of human preferences, while noting that much information cannot be codified, and will become manifest only in market prices.

This view contrasts with Dobb's (1969) approach, who draws on Sraffa's (1960) objective theory of value (which recovers the classical approach of measuring value in terms of the objective cost of production) to find forms of economic planning and coordination beyond the market, in a context where the State can play a role in industrialisation and development. But once the focus is on the market as the main form of economic coordination, any role of the State in planning and economic coordination is seen as an interference with market efficiency. And it also means, of course, that the emphasis of economic policy is no longer on final goals, be they utilitarian or not, but rather on the rules of the market process, so that each person can pursue her or his own individual goals.

This emphasis on the market sphere reappeared again in Chicago, to where Hayek moved subsequently, albeit assuming in many cases a mathematical form that Hayek and most Austrian economists would have disapproved of, since they believed the use of mathematics in economics constitutes, to a large extent, an erroneous transfer to the social sciences of the habits of thought

developed when dealing with the natural sciences (Hayek, 1948). For example, the microfoundations of New Classical Macroeconomics and Real Business Cycle theory imply that the choices individuals make are optimal reactions to economic fluctuations caused by exogenous technological shocks. But for optimal choices to be made, economic agents must know the rules of the game in advance, hence policy makers must refrain from discretionary intervention, not only regarding fiscal policy, but also monetary policy (Lucas, 1981). In short, while these microfoundations are usually associated with the Chicago school, the overall idea, devoid of its mathematical formulation, was already present at the LSE at the time when Robbins and Hayek developed a subjectivist approach against the Cantabrigian Marshallian and Keynesian approaches, and against Marxist conceptions as well, in the 1930s.

Hayek (1939) went as far as arguing that the creation of a common market within various countries has the laudable effect of weakening the power of each State, by reducing the possibilities for State intervention at an economic, political and military level, and opening up the possibilities for peaceful and prosperous interstate federalism. But Hayek's emphasis on the market process left aside the dynamics of the productive system, and the way in which those dynamics are influenced by the emergence of a common market across various countries. Hayek's (1939) views of the advantages of a common market for weakening State power stand in contrast with the perspective of economists who studied more closely the productive system, rather than looking at the market only as a means of coordination. Thus, Kaldor (1978), drawing on the Keynesian principle of effective demand, noted that in a common market with several countries those with more competitive industries at the initial stage would take a greater share of the common market, leading to further productivity gains and greater asymmetries within the common market in a

process of cumulative causation, as also noted by Gunnar Myrdal (1957). This analysis remains relevant for understanding contemporary problems in the European Union.

For much of the post-war period, the Keynesian emphasis on the need for investment in order to achieve effective demand provided the theoretical basis for State intervention in the more developed economies, while the idea that a developmental state is necessary for fostering industrialisation provided also the justification for State intervention in developing economies. But after the 1970s Hayek's views, first expounded at the LSE and then at Chicago, were instrumental for the emergence of neoliberalism. Neoliberalism is a form of liberalism that differs from the classical liberalism of the nineteenth century in various respects, including the greater role of the State in shaping the conditions for the private sector to control the economy, and the emergence of marginalist or neoclassical economic theory as a replacement to the classical economic theory of the nineteenth century. The emergence of neoliberalism had implications for the analysis of development. Thus Sen (1983), in his article 'Development: Which Way Now?', notes that the neoclassical resurgence was paralleled by a neoclassical recovery in the field of development. But despite a greater role for the State and the use of a neoclassical theory where final goals are sometimes considered, the neoliberal emphasis is still on the rules set by the State so there was never an emphasis on final goals of development in this neoliberal view, but rather on the market process.

The emergence of the capability approach to human development

While Robbins and Hayek defended the expansion of the market essentially in terms of the liberty that free trade provides (while emphasising the policy implications of their views), other economists at the LSE, also influenced by Robbins' (1938) critique of Marshallian-Pigovian

welfare economics, focused on more technical issues. It is in these more technical contributions that an emphasis on final goals starts to reappear, albeit not in the same way as in the utilitarian framework of Marshallian-Pigovian welfare economics.

Nicholas Kaldor (1939) and John Hicks (1939) – two authors who subsequently rejected these early views, with Kaldor actually switching to the Keynesian camp – led to the reformulation of the field of welfare economics, into what was then called "New Welfare Economics" (Sen, 1982). In this new form of welfare economics, Robbins' principle that human preferences are irreducibly subjective and thus non-comparable is strictly followed. Vilfredo Pareto's idea of ordinal utility, that is, of considering only the ordering of options expressed by subjective preferences without attaching any substantive content to the notion of utility (contrarily to what Sidgwick, Marshall and Pigou did), became particularly important in this conception. Since the utility levels of individuals cannot be measured and compared, no trade-off is possible between individuals, so the goal is to reach what came to be known as a Pareto optimum (a Pareto optimum is a situation where it is not possible to improve the utility of any individual without reducing the utility of some other individual).

Kenneth Arrow and Gerard Debreu (1954) connected the role of the market in a general equilibrium framework to the emergence of a Pareto optimum, further reinforcing the idea that there is no need for the State to intervene in production, as the market will generate optimal outcomes regarding production and consumption. In fact, according to Arrow's (1951) general possibility theorem, there is no guarantee that collective decisions (such as those taken within a democratic State) will be even rational in general (at least according to the neoclassical conception of rationality), a result which led the theorem to be known as the *impossibility theorem*. Sen (1982, 2017) adopted much of Arrow's framework in his own approach to social choice theory. But Sen

(1982, 2017) drew different policy implications, arguing that social choices can be made with justifiable criteria in a democratic setting.

Sen (1982, 2017) also noted another important impossibility, namely that a purely liberal view is incompatible with a Pareto optimum, which seems to bring apart the two views stemming from Robbins' (1938) critique of interpersonal comparisons of utility: the liberal view advocated by Hayek and the Austrian school; and the use of the Pareto optimum within new welfare economics. Both views (the liberal and the Paretian one) were soon challenged, in any case. For an adherence to a strictly liberal view where only rules matter regardless of their consequences for well-being, or a Pareto optimum, are both compatible with any sort of income distribution, even if cases of extreme poverty exist. So neither can be used as a criterion when addressing the typical problems of development regarding income inequality and poverty.

This problem was addressed by several attempts to provide alternative characterisations of well-being by various authors connected to the old Cambridge 'welfare' tradition, such as James Meade (1976), Anthony Atkinson (1975) and Amartya Sen (1982, 1985), in a way that would allow for some interpersonal comparisons of well-being – see Fine (1985) – and thus an assessment of inequality. Atkinson was much influenced by Meade at an earlier stage, and at a later stage worked together with Thomas Piketty, leading to the construction of the top incomes database (Atkinson, Piketty and Suez, 2011). The recent surge of interest in the measurement of inequality draws upon those contributions, with an emphasis on income and wealth inequality that certainly contributed also to a greater focus on the goals of development.

Sen's capability approach (1982, 1985) emerged as an attempt of assessing inequality as well. However, Sen's capability approach differs from the perspective of Atkinson (1975) or Piketty (2014) by focusing not only on income and wealth when addressing inequality, but also on

various other dimensions of human well-being. Sen (1982) engaged in a critique of the marginalist subjectivist approach to human well-being of new welfare economics, arguing for the need of focusing on more objective functionings, that is, what a human being can be or do, rather than on the subjective utility obtained with those functionings. The emphasis on functionings also enables going beyond John Rawls' (1971) emphasis on primary goods since, according to Sen, development processes should focus more on how goods affect human beings, and human functionings in particular, rather than on Rawlsian primary goods.

The human functionings which are achieved lead to a given level of subjective well-being, usually characterised as a utility level within welfare economics. But Sen (1985) argues that the subjective preferences of human beings in poverty or deprivation get adapted to those situations, so an analysis of human well-being must be grounded on objective human functionings instead. This avoids Robbins' (1938) critique of interpersonal comparisons of utility and allows for comparing the situations of different individuals. Sen (1985) defines human capabilities as the set of potential functionings and argues that human capabilities provide a more adequate space for assessing inequality. This approach, in which inequality and poverty are evaluated in terms of human capabilities, is the capability approach (Sen 1982, 1985). And drawing on the capability approach, Sen (1999) defines development as the expansion of human capabilities.

Sen's (1999) conception of development as freedom is one in which the expansion of human capabilities is a cumulative and self-reinforcing process. Furthermore, Sen (1999) argues that it is preferable to focus on the overarching objective and final goal of development, rather than on the specific means for achieving it. And an important reason why this is so is the cumulative and self-reinforcing nature of the expansion of human capabilities. The final goal of development, the expansion of human capabilities, also increases productivity and improves economic

performance (Sen, 1999), which gives further reason for focusing directly on the final goals of development, since they are also the means for development anyway.

An important aspect where this duality of means and ends appears is in the analysis of the market. Sen (1999) notes how the justification of the role of markets is not just an economic one (connected to their role in economic coordination), but also a moral one, for freedom of transaction is also valuable in itself. That is, the market is a means and an end. Hayek (1948) had also made a similar claim. But unlike Hayek, Sen (1999) sees much more scope for State intervention when promoting the final goals of development. However, since Sen's (1999) emphasis is not on the productive system, but rather on goals of development which are simultaneously means for development, while focusing much on the virtues of the market, the type of State intervention advocated by Sen is very far away from the developmental state concerned with a transformation of the productive sphere. Rather than a developmental state, Sen's (1999) analysis presupposes a welfare state, whose intervention is concerned with correcting market imperfections (very much in the Marshallian-Pigovian spirit of the Cambridge 'welfare' tradition), thus enabling the expansion of human capabilities through improvements in education, health, distribution of income and poverty reduction. The channel through which the expansion of human capabilities influences the productive sphere is through increases in human productivity.

Sen's emphasis on the role of the State contrasts with Rawls' political liberalism, where the ideal system would be a property-owning democracy – an idea also advocated by Meade (1976) – that is, a political system where property is widely distributed since, for Rawls, a welfare state in which property is not widely distributed still allows for wide differences of power and status, which will exist even if the inequalities of income and wealth generated by those differences in power and status can subsequently be attenuated through redistribution by a welfare state. This

connection to the structure of power relations was never addressed by Sen and the human development approach in a satisfactory way, which at the policy level has focused essentially on the mathematical measurement of human well-being in multidimensional terms, further contributing to an emphasis on final goals rather than on the productive structure of the economy and the power relationships it fosters. Sen's (2017) latest reedition of his 1970 book *Collective Choice and Social Welfare*, by emphasising ordinal rankings in a social choice context, certainly provides further incentive to this emphasis on measurement.

While the indicators of human development produced by the UNDP go beyond the emphasis on income and wealth that characterised earlier welfare economics, it is also the case that by trying to condense socio-economic reality into a synthetic indicator, we end up losing sight of too many significant aspects of the socio-economic structure. Piketty (2014, p. 269-270), for example, while focusing on income and wealth only, ends up paying more attention to class structure by looking at top incomes (Martins, 2015). In fact, Piketty (2014, p. 266) criticises the use of synthetic indexes of inequality that take attention away from a more sociological analysis of class structure, which allows for considerations of power and status such as the ones mentioned by Rawls (1971).

The emphasis on the construction of synthetics indexes of inequality, poverty and development is especially present in the Human Development Reports provided by the UNDP, inspired in the contributions of Sen, and of Mahbub Ul-Haq. The capability approach to human development kept concentrating on the measurement of the final goals, at the same time as the expansion of markets through the General Agreement on Tariffs and Trade (GATT), subsequently leading to the World Trade Organization (WTO), and the European Common Market, were further advancing, while reducing the role of the State, very much as Hayek (1939) had advocated within

a ‘neoliberal’ approach aimed at reducing the influence of the State, and as Keynes had feared when noting the incompatibility between political democracy and deregulated and global financial markets.

In political terms, institutions such as the International Monetary Fund (IMF) and the World Bank (WB) moved away from Keynesian ideas and embodied the ‘neoliberal’ agenda, albeit using a mathematical methodology that owes little to Hayek and the Austrian school. And at some point these Bretton Woods institutions started to be influenced by the multidimensional approach to measurement pioneered by the ‘humanistic’ perspective developed at the UNDP, as one can see by looking at the multidimensional indicators that started to be produced by these institutions. Within this process, the productive sphere and the power relations it entails were left outside the scope of analysis of both the ‘neoliberal’ and ‘humanistic’ approaches to development, which were concerned with the market, rather than with the productive system, even if in the ‘humanistic’ approach there is a much greater stress on the final goals that the market must deliver.

In the opening paragraph of the introduction of Sen’s 1999 book *Development as Freedom*, published shortly after receiving the Memorial Nobel Award in 1998, Sen (1999, p. 3) sets out the outline of a research program in development studies that became widely influential, while also writing: “Focusing on freedoms contrasts with narrower views of development, such as identifying development with the growth of gross national product, or with the rise in personal incomes, or with industrialization, or with technological advance, or with social modernization.” This shifts the central emphasis away from industrialisation, technological advance and social modernisation, which were seen as central concerns within the more “productionist” approaches to development.

This leads us to the following question: can the capability approach to human development still contribute towards a more ‘productionist’ approach to development, or is it destined to become

more and more blended with the 'neoliberal' view focused on the role of the market? The capability approach to human development has its intellectual roots in classical political economy, rather than in neoclassical economics (Walsh, 2000, 2003; Martins, 2013; Putnam, 2002). Thus, Vivian Walsh (2000, 2003) suggests combining Sen's capability approach, which recovers the moral anthropology of the classical economists, with Piero Sraffa's theory of production (1960), which recovers the analytical theory of the classical economists, developed to its more advanced stage by Marx in his labour theory of value. But this emphasis on production has had little impact on the literature on the capability approach. I shall turn to this issue now, highlighting the need of focusing on the analysis of power relationships within productive systems.

The reproduction of the conditions of production

It is important to note that the classical theory of production, and the theory of value it entails, is more compatible with the contemporary reality of global production networks than neoclassical economic theory. Sraffa (1925, 1926) shows several inconsistencies that arise if we use the neoclassical theory of value for analysing integrated productive systems, due to the neglect of the production of components common to various industries. As Sen (2003) notes, Sraffa (1960) provided an integrated view of the conditions of production where it is possible to determine the relative prices of all commodities knowing only the distribution of income between capital and labour (by knowing either the wage or the interest rate) and the quantities of commodities produced and used as means of production, without having to assume constant returns to scale. This makes Sraffa's analysis particularly relevant for a wide variety of interconnected systems. Also, Sraffa's (1960) system shows how the distribution of income can be driven by a concern with a certain standard of living (Wilkinson, 2012) or by the financial system through the money rate of interest

(Sraffa 1960, p. 33). This expresses a power struggle between the demands of the financial system and the overall standard of living, which is well captured in Sraffa's (1960) system.

Sraffa (1960) adopts the method that Marx employed when developing classical political economy, which consists of analysing the conditions of reproduction of economic activity (Martins 2013, p. 44). But Sraffa focuses only on the conditions for the reproduction of the means of production, and not on the conditions of reproduction of labour power. In fact, the standard of living is an exogenous aspect in Sraffa's (1960) system, and this is why Walsh (2000, 2003) suggests adopting Sen's capability approach to fill this gap. Walsh (2000, 2003) suggests that we should use the capability approach for determining the standard of living within Sraffa's (1960) system, thus bringing a moral dimension to the analysis, an idea which is seen in positive terms by Martha Nussbaum (2003).

The standard of living must be seen as an end in itself, as the human development approach argues, rather than a means only. But it certainly influences the productive system, through its influence on the reproduction of labour power (Wilkinson 1983, 2012). Health and education, two central topics for human development, play a central role in the reproduction of labour power, and its treatment within the capability approach to human development can be helpful in this regard. One cannot, however, merely juxtapose the capability approach with Sraffa's (1960) theory and with further considerations on how health and education contribute to the reproduction of labour power. This is part of an important concern raised by Ben Fine (2001) at a more general level: has it been possible to add on themes to Sen's framework of analysis, or did Sen's framework end up being reconstructed in the process (see also Fine, 2004)?

The key problem at stake here requires a more serious investigation on the nature the capability approach, and of Sen's contribution. The capability approach is not an economic theory,

for an economic theory would have to characterise specific mechanisms, for example specific mechanisms through which wages determine prices, as Sraffa (1960) does. It is also not a fully-fledged ethical theory, for an ethical theory would have to provide a prescriptive criterion, and the capability approach provides only the space of human functionings and capabilities for assessing well-being, not a prescriptive criterion. The capability approach does not answer questions such as "how does this mechanism function", as a scientific theory would, nor questions such as "what should be done", as a moral theory would (Martins 2007).

Quite the contrary, Sen's capability approach provides answers to questions such as: "what is a human functioning?", which is defined as what a human being is or does; "what is well-being?", which is defined in terms of achieved human functionings; "what is a capability?", which is described as a potential functioning; or "what is development?", which is defined in terms of the expansion of human capabilities. But questions of the form "what is X?" are ontological questions, that is, they are questions regarding the nature of things, be it the nature of human functioning, well-being, capabilities or development. And Sen's (2002) other contributions follow a similar vein, answering questions such as "what is rationality?", which is defined as the freedom to scrutinise goals and values.

This is connected to the influence of Dobb's notion of "rich description" on Sen, as Walsh (2003) notes, with the approval of Sen (2005). What Sen provides is a "rich description" of human functionings, well-being, capabilities, rationality and development. This is, of course, a rudimentary ontology, since it does not go beyond taxonomy and definition of specific objects, and a fuller engagement with ontology would require addressing the relations and properties of those objects (Lawson 2017, p. 50). Regarding human functioning, for example, Nussbaum (2000, p. 13) writes that although Sen "occasionally alludes both to Marx and to Aristotle", Sen has never

"attempted to ground the capabilities approach in the Marxian/Aristotelian idea of truly human functioning that plays a central role in my argument", thus suggesting that despite Sen's many remarks to Marxian/Aristotelian (and Smithian) philosophical foundations, he never engaged in a sustained way with the Marxian/Aristotelian philosophical foundations of the capability approach.

Sen's allusions to Marx are revealing nevertheless, for example when Sen (2009, p. 245) draws on what he sees as Marx's admirable clarity when explaining social relations, noting that when someone acts "it would be hard to understand why and how he or she undertakes these activities without some comprehension of his or her societal relations" – see also Martins (2012, p. 145) for a discussion. Still, Nussbaum (2000, p. 13) is right to note that Sen does not really elaborate enough these insights. Sen's contribution is best interpreted as an ontological exercise, but an essentially descriptive one that stays at the more basic (taxonomic) level of social ontology, without delving deep into the analysis of social relations of power. But this also means that, being an essentially a taxonomic ontological exercise, Sen's capability approach is not a fully-fledged ethical theory for, as Sen (2009, p. 41) notes, "ethics cannot be simply a matter of truthful description of specific objects".

The lack of sustained ontological reflection on the capability approach contributes much to the tendency to add on themes to the capability framework without really questioning and possibly revising its very foundations. However, a study of the reproduction of labour power requires an analysis of the foundations of the capability approach, in order to achieve a better understanding of the relation between individual agency and social structure within the capability approach (Martins, 2006, 2007, 2012; Smith and Seward, 2009), so that the power relations that arise in social structures can be best understood, within a social ontology that does not merely

describe social entities (as Sen often does), but also addresses the way in which power emerges trough social relations (Martins 2006; Lawson 2012).

Furthermore, it is not only the reproduction of labour power, but also the reproduction of the material means of production that can benefit from a social ontology of power relations, as Clive Lawson (2017, pp. 39-44) shows when studying technology from a social ontology perspective. Sraffa's (1960) study of the reproduction of the material means of production is pitched at a rather abstract level, and needs to be complemented with an analysis of the connections between technology and power. Ilse Oosterlaken (2011) suggests using Lawson's (2010) analysis of how technology extends human capabilities in the context of the capability approach, and this is a topic that certainly requires further elaboration.

Lawson (2017, p. 109) defines "technical activity as that activity which harnesses the causal capacities and powers of material artefacts in order to extend human capabilities." But Lawson (2017, p. 50) also notes that ontology cannot be merely the definition of objects, as argued above. Rather, ontology must address the properties of the entities defined, and the relation between those entities. Lawson (2017, p. 42) notes that "social relations are always power relations", drawing on Tony Lawson's (2012) social ontology, and provides an account of how technical objects are enrolled in those social relations, going beyond a merely taxonomic approach to the ontology of technology.

An understanding of the enrolment of technical objects in social relations of power is one of the central aspects to take into account when addressing industrialisation in development processes. Different technologies are adopted by different communities characterised by different social structures, and the penetration of capitalist relations and technological rhythms is often at dissonance with the social rhythms of the traditional societies that initiate a process of

industrialisation, leading to a coexistence of rhythms and modes of life that shapes the pattern of development processes.

Furthermore, it is also necessary to investigate whether the extension of human capabilities brought by technology actually increases human well-being, or merely contributes to turn human beings into a more efficient appendage of a larger process motored by capital. Harry Braverman (1974) notes how technology is often designed in a way that enables the owners of capital to control the labour process, as Lawson (2017, p. 182) also argues drawing on Braverman (1974). This control of the labour process also enables taking advantage of human capabilities that are often developed through non-capitalist social structures, through processes of social reproduction taking place in the household. An example consists of unpaid labour in the household that contributes to the reproduction of labour power (Silver, 2003), which is essential for capitalist accumulation.

As a solution to this question, Silvia Federici (1975) suggests the payment of wages for housework, so that it acquires a similar status in capitalism as other forms of work. Federici (1975, p. 5, original emphasis) notes that "*money is capital*, i.e., *it is the power to command labour*." This corresponds to Sraffa's (1960) view of objective value in capitalism as commanded labour (how much labour can a commodity purchase in the market), echoing Smith (1999, p. 37), who like Sraffa measures the cost of production in terms of commanded labour, and cites approvingly Thomas Hobbes when he claims that wealth is power, meaning the power to command the labour of others (Martins 2016, p. 33). Federici's (1975) argument points our attention to the fact that housework is not empowering under capitalism, where power depends upon wealth that allows for commanding labour (Smith 1999, p. 37; Martins 2016, p. 33).

As Isabella Baker (2007, p. 545) notes, Federici (2003) addresses the rationalisation of the reproduction of labour power that takes place under capitalism, a rationalisation that enables a process similar to the one Marx describes as primitive accumulation, that is, a penetration of capitalism into non-capitalist social relations. In the specific case addressed by Federici (2003), what is at stake is not the expropriation of common lands as in Marx's account of primitive accumulation, but rather a subordination of social reproduction in households to the demands of capital – for another view of accumulation, see also Maria Mies (1999).

An important aspect to take into account in this regard is that household training often endows young women with crucial capabilities to be employed in the technologies adopted in global value chains or global production networks, in what constitutes an enrolment of technology in social relations of power – to use Lawson's (2017) terminology – that contributes essentially to put human capabilities at the service of capitalist accumulation, rather than contributing to human well-being. Training of young women "received from their mothers and other female kin since early infancy" (Elson and Pearson 1982, p. 93) are examples of unpaid labour that contributes to the reproduction of labour power, while also influencing relations of production through the "*subordination* of women as a gender" (Elson and Pearson 1982, p. 94, original emphasis).

The qualities attributed to women in the reproduction of labour power are thus not innate qualities, but rather socially reproduced, and a crucial aspect in the reproduction of the conditions of economic activity, together with the reproduction of the technical means of production. In addition to the ethical issues involved in social reproduction, the very sustainability of the economic system is also a crucial matter. Asymmetric power relations within processes of social reproduction can often lead to depletion (Rai, Hoskyns and Thomas 2014), and to the deterioration

of the human capabilities that Sen (1999) sees as (economic) means and (ethical) ends of development.

Notions such as global value chains (Gereffi, Humphrey and Sturgeon 2005) or global production networks (Henderson, Dicken, Hess, Coe and Yeung 2002) point towards a process of production scattered across various spatial locations, in a context where the State does not play the same role as in earlier approaches to industrialisation based on the idea of a developmental state. The idea of a 'network' of production (Henderson, Dicken, Hess, Coe and Yeung, 2002) has been proposed in order to capture the idea that multiple interactions take place at a more horizontal level within the productive sphere. And the emphasis on 'production' rather than on a 'commodity chain' emphasises the social process through which commodities are produced, opening the door to considerations relative to power relationships.

But much literature on global value chains and global production networks has been centred on firms (Selwyn 2012), and it is important to understand the overall process of social reproduction involved in global value chains and global production networks. Human capabilities can be best understood as a consequence of social reproduction which constitutes, together with the reproduction of the technical means of production, the two main processes to analyse when studying the conditions of reproduction of the economic system, bringing the productive sphere back into focus, as Chang (2010) suggests we should. But in order to undertake this analysis, it is also necessary to rethink the very idea of capability as a causal power grounded in social structures (Martins 2006, 2013) which, when actualised in the labour process, provides an essential ingredient for the reproduction of the economic system.

Sen's original formulation of his ideas in a 1978 lecture in Stockholm – published later in the 1984 collection *Resources, Values and Development* (Sen, 1984) – was more helpful in this

regard, since Sen (1984, p. 281) used then the term *primary powers*, to be contrasted with Rawls' (1971) *primary goods*. But this terminology was abandoned in the following year, in the 1979 Tanner Lecture at Stanford titled *Equality of What?*, subsequently published in the 1982 collection *Choice, Welfare and Measurement* (Sen, 1982). In this 1979 lecture, often seen as the originator of the capability approach, Sen introduces the term *basic capabilities* as a contrast to *basic needs* (Sen 1982, p. 367), and the notion of power ceases to play a central role, as it should be in an analysis of social and economic reproduction – see also Marianne Hill (2003) on why rather than advocating development as freedom (Sen 1999), one should focus on development as empowerment.

Concluding remarks

A fruitful way to address the new challenges of development raised by Chang (2010) is to further integrate Sen's 'humanistic' approach to development with considerations regarding power relationships in the productive structure, by seeing the formation of human capabilities as part of the overall process of social reproduction of labour power, together with an analysis of the conditions of reproduction of the technology involved in the means of production (Sraffa 1960; Lawson, 2017). In fact, while Chang (2010) is very critical of the 'neoliberal' view of development, his argument towards the 'humanistic' approach is not that it should be dismissed, but rather integrated with the 'productionist' approach into a 'new developmentalism'.

But this requires a different view of the capability approach, as a component of a broader analysis of the process of social and economic reproduction. Walsh's (2003) suggestion of combining Sen's capability approach with Sraffa's (1960) classical theory of production is very helpful in this regard, if we see Sraffa's (1960) theory as a component of a broader study of the

reproduction of the technical means of production (Lawson, 2017), and Sen's capability approach as a component of a broader study of the reproduction of labour power, where the latter should not be seen merely in instrumental terms (as human capital), but also taking into account human well-being in the workplace as a goal to achieve (Braverman 1974; Silver 2003; Wilkinson 1983, 2012).

Another important contribution made by Sen that is helpful in this regard concerns his interpretation of the labour theory of value. Following Dobb again, Sen (1978) emphasises (like Sraffa in some instances) that it is essential to engage in a full description of the labour process as a whole, so as to get a full grasp of the relations of production (Martins, 2012). Sen (1978) goes as far as arguing that the labour theory of value can be best interpreted as a description of the overall process of production, rather than in quantitative terms. Sen's (1978) descriptive interpretation of the labour theory of value (Martins, 2012) suggests a broader view of the labour process, and of the role of human capabilities within the productive system. In fact, surplus-producing labour can be interpreted as a human capability (Düzenli 2015).

This broader view has not been much pursued so far given the emphasis on measuring human capabilities that has been the more visible aspect of the capability approach to human development. By focusing almost exclusively on measuring human capabilities, many "capability theorists" end up moving away from the humanistic roots of Sen's capability approach. Quite significantly, Sen himself has recently declared he is not a "capability theorist", as noted by Baujard and Gilardone (2017) when emphasising the humanistic roots of Sen's contribution. In fact, I would go further and argue there is no such thing as "capability theory", if the term is to be used in any meaningful way. The capability approach is not a social or economic theory, but rather a philosophical perspective (Martins 2006), for the reasons outlined above. Thus, it must be combined with a substantive theory, be it Sraffa's classical theory of production as argued by

Walsh (2000, 2003) and Putnam (2002), or other, in order for more substantive analysis of the production process to proceed (Martins 2015, 2013).

The human development project is thus facing a dilemma, which is connected to a wider problem within development theorising. This wider problem consists in an excessive emphasis on final goals rather than on the productive structures that enable the achievement of those goals. This leads to the relative neglect of productive systems in development discourse, and the way in which those productive systems interact with human capabilities. The capability approach to human development has the potential to become a relevant component of the analysis of this wider problem, if conceptualised as part of a broader study of the process of social and economic reproduction, taking into account the relationship between individual agency and social structure (Martins, 2006, 2007, 2012; Smith and Seward, 2009; Oosterlaken, 2011), so that the power relations that arise in social structures can be best understood. But this potential remains yet far from realised.

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