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On income, education and freedom: A few comments on Prados' Augmented Human Development Index

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In conceiving of, and writing, *Human Development and the Path to Freedom: 1870 to the Present* (Cambridge University Press, 2022), Leandro Prados de la Escosura has undertaken a titanic task which is nothing else than the empirical assessment of human existence in the past 150 years – without doubt the most tumultuous period in human history, so far.¹ Prados continues the pioneering work of Angus Maddison who similarly charted the evolution of economic development over time and countries. By expanding Maddison's work which contained two variables only (level of GDP and population), to embrace Human Development Index (HDI) that includes also achievements in education and health, Prados «projects» HDI into the past as well as locationally, into many countries that were not covered before. Prados thus rounds off both the Maddison and HDI projects – the first by complementing it with other variables, the second, by going much further into the past.

In doing so, Prados had to deal with many issues that have been raised over the years regarding the treatment of HDI variables (should GDP per capita enter with its actual value or in logs?); the question of whether certain advances, for example in life expectancy, should be treated in a linear fashion (does increase in the average life expectancy from 55 to 56 years count the same as the increase from 75 to 76?); whether it is the difficulty of achieving a certain advance, or the «value» (in utility or happiness terms) of a given advance that counts; how should different components be combined, if at all. etc. To each of these issues Prados provides well-reasoned answers.

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¹ See also L. Prados, «Augmented human development in the age of globalization», *The Economic History Review*, 74(4), 2021, pp. 946-975.

Prados has expanded the scope further by introducing the political side, and thus operationalizing Amartya Sen's view of human development as a «conquest of freedom». To consider human development comprehensively, it is not sufficient, Prados writes, to take stock only of «freedom from want, ignorance and disease». We need to do more and include political freedoms: freedom of association, speech and freedom to choose those who govern us. This adds another dimension which, while being mentioned before and even (timidly) included, was never formally part of the Human Development Index, and certainly was not in a similar manner integrated into an effort to chart worldwide evolution of human development over time. This new Prados's «augmented» HDI (AHDI) is probably the most important development since HDI was first defined.

In general, the issues raised concerning HDI and thus AHDI, can be divided into five groups:

- (1) What aspects of human development/variables should be included,
- (2) How each of them should be measured (i.e., the problem of transformation of «natural» values),
- (3) How should inequality for each aspect separately and all of them jointly be accounted for,
- (4) How should various dimensions be combined into an overall index,
- (5) Should such an overall index be cardinal or ordinal?

In this note, I am concerned only with (1) and I would like to raise two issues. First, whether the standard primary goods (income, education and health) included in HDI are *really* primary goods, and second, to question one part of Prados' new political freedom variable.

1. Are income, education and health desirable in themselves, that is, are they really primary goods, or are they a tool used to achieve other things?

The idea of income as a primary good comes naturally to economists. It is, for economists, the most generic primary good because it can be transformed into many other goods: a rich person can, for example, buy a better health care. It is also a conduit to agency, and ultimately happiness. I tend to agree with this view, but I would like to list here several opinions that question it.

Is income truly a primary good? Even Prados is not sure. He writes: «Per capita income is not the ultimate object for individuals; it just represents an input that can be turned into a capability: being able to live a full, meaningful life» (2021, p. 948).

Rawls concurs. In his lexicographical ordering of principles of a just society, the first two principles require that institutions maintain political liberty for all, and equality such that everyone has roughly the same chance to influence political decisions, and thus that they maintain equality of opportunity. Income occupies an ambivalent position. In several instances, it is listed among the primary goods in Rawls's *Theory of Justice*, but in *The Law of Peoples*, whose topic is much more germane to the Human Development Index (as it deals with the world and not a single society), Rawls thought that higher income may be useful only when poverty prevents societies from creating just institutions, that is, when generalized destitution does not allow

a society to become, in Rawls' terminology, just or «decent». Beyond that point income does not matter. It may become a nuisance, even a negative good.

What men want is meaningful work in free associations with others, these associations regulating their relations to one another within a framework of just basic institutions. To achieve this state of things great wealth is not necessary. In fact, beyond some point it is more likely to be a positive hindrance, a meaningless distraction at best if not a temptation to indulgence and emptiness (*Theory of Justice*, Chapter V, § 44, pp. 257-258).

Thus Rawls, in opposition to economists, holds that income can be considered a useful *tool* only in special conditions, and even then income is not seen as a primary good but just as a means needed for the achievement of a «decent» society.

Even Adam Smith in the same paragraph where he first mentions the famous metaphor of the invisible hand discounts the importance of wealth: «the beggar who suns himself by the side of the highway possesses that security which kings are fighting for» (*Theory of Moral Sentiments*, Part IV.I.10).

We can go even further. For Marx it is only the free time that is a real «wealth», a real primary good. He writes:

But free time, disposable time is wealth itself, partly for the enjoyment of the product, partly for free activity which – unlike labor – is not determined by a compelling extraneous purpose which must be fulfilled, and the fulfillment of which is regarded as a natural necessity or a social duty (*Theories of Surplus Value*, Collected Works, vol. 32, p. 391).

The free time for Marx is not the same thing as what goes under the title of «leisure» today. For Marx free time meant freedom from wage-slavery: the ability of each individual to spend his/her time as he/she wishes. It may include what is traditionally considered «work» but only if such work represents the need for self-realization, that is, is desired. Leisure, as we define it, can exist only in class-based or non-affluent societies where work – the opposite of leisure – is undertaken not because people like to work but because people work in order to survive. In such societies, as Marx in several chapters in *Capital* documents, work is a drudgery, a pain, degradation.

While working conditions in developed countries are much better today than they were at the time when Marx was writing, the ontological character of wage labor has not changed: work is not a necessity, we do not do it in search of self-realization. On the contrary, for most people it is a pain, an activity they would like to escape from, to bring to a minimum.

Leisure is a good only because we hate our work. In the communist society of Marx's imagination leisure ceases to be a good; it is indistinguishable from what we today deem «work». Whether such a society could ever be achieved is not obvious, but surely the idea that the real, and seemingly, the only primary good is freedom to do as we please is quite attractive.

Let's now move to education. Is education a primary good or simply a means toward achieving higher income? We tend to agree that it is better to be educated than to be ignorant. But this is a common-sense view. It does not make clear why education in itself should be desirable – that is, beyond its instrumental value of allowing us to achieve higher income. Majority of people study math or foreign languages not because they like them but because they find them useful in order to solve a problem or to find a good job. Or they might desire to learn things in order to live healthier life. Again, education is a means to something else.

If we then, following Rawls, eliminate income (at least after a certain threshold) from the list of primary goods, raise the issue of whether education should be there at all, and drop self-realization as an impossibility in all class-based societies where work is not free, we are left with only one primary good: health or – if one wishes – life.

2. But didn't I just quote Rawls who writes that political liberty is a primary good? And as Prados indeed agrees, political rights are an inseparable part of human freedom because they give individuals agency to exercise their choices in general, and even their choice over the three standard dimensions of HDI if there is a trade-off among them (perhaps that people would prefer better health to higher income). This new, political, components of HDI consists, as Prados explains, of two parts: negative freedoms (that is, absence of coercion and control over one's ability to express opinions and participate in public life) and the way that such freedoms are politically «bundled», namely existence of democracy and of political checks and balances. It is mostly the latter that I wish to discuss here.

The agency or voice part of the political variable can be associated with «development as freedom»; the «democracy» part is, in my opinion, much more problematic. Increasing individual's agency is indeed an improvement in one's condition, the same as greater longevity. Being able to access information, to express one's opinions, to participate in political life are things that are valuable *in themselves*. The exercise of individual agency must not come at the expense of others exercising the same agency. This is of course the well-known rule that our freedom is limited only by the same freedom for others. Agency therefore already includes a notion of equality. A country where 90% of the population have full agency and voice, but 10% are slaves is abhorrent even if a statistic of 0.9 may not be different from that of an alternative society where everybody has one-tenth of their maximum freedoms abrogated. This implicit egalitarian bias in agency is something that I would leave at this point, but that can be developed further.

Another argument in favor of introducing agency is to check empirically if it tends to be associated with increases in other dimensions of human welfare. It seems so at first: greater agency leads to higher income. But it is also possible that more agency, more freedom to voice opinions leads to political polarization, even to anarchy, and then to lower income growth and higher mortality. Whether one or other direction is more likely is something that we should discover empirically and this is why adding agency/voice is, in my opinion, very useful.

My concern is with the inclusion of a particular way to aggregate the opinions of the public: liberal democracy (as used by the Liberal Democracy Index chosen by Prados). Liberal democracy is just one way of such aggregation of preferences. Other ways are not only possible but have existed, and continue to exist. Preferences can be aggregated through corporatist or representative bodies; a single party system via intra-party debate; by consultative monarchy; oligarchic or elite rule with popular participation, the «dictatorship of virtue» *à la* Savonarola etc. Certain specific features of liberal democracy may be entirely alien and unacceptable to people brought up in certain religions which in their favor can point to the longevity of their existence. For had they been so opposed to human nature, how would have they survived for several thousand years? The best way to rule a society is a topic old, in the West, at least 2,500 years. Plato, who was among the first to think about it, was not a great friend of the specifically democratic way of rule.

Each type of government enacts laws that are in its own interest, a democracy democratic laws, a tyranny tyrannical laws and so on; and in enacting these laws they make it quite plain that what is «right» for their subjects is what is in the interest of themselves, the rulers, and if anyone deviates from this he is punished as a lawbreaker and «wrongdoer» (*The Republic*, Part 1, Book 1).

We are unlikely to ever agree on the best way to govern societies, and the introduction of liberal democracy in AHDI, as the ideal toward which humankind strives, does bring in a very specific political view of the world into an index that in its other components is free from excessive politicization. And I do not mean here only the direct politicization that such a component would bring into an international organization like the United Nations that produces HDI and which is composed of governments whose claims to legitimacy are widely different, but the politicization that it would introduce among the academic practitioners or users of the new augmented HDI.

Moreover while agency proper can be, however imperfectly, measured, democracy cannot. Regarding the former, one could look at countries that allow full access to sources of information, those that do not, and others in-between. One could also look at the freedom to express one's opinion: how many people are fined or jailed for that? Finally, one could look at the freedom to participate in protests and marches and petitions. While agency may never be measured as accurately as the other three components of the HDI, it is susceptible of at least imperfect measurement.

This is not the case with liberal democracy. As I mentioned, it is just a particular way to «bundle» people's preferences; its measurement intrinsically depends on our subjective estimates. This is obvious from all currently existing indexes of democracy: what are the checks on the executive power cannot be adequately reduced to a number, nor can inequality in real political power be readily measured. How do we account for the fact that the rich «buy» policies they like by supporting electoral campaigns of these who would do their bidding? How do we account for the creation of «the correct» opinion by the media owned by the rich? All of these, immeasurable,

factors often decisively influence the translation of preferences into actionable policies, and yet they are difficult or impossible to measure.

What are the conclusions? First, I think that the introduction of political agency proper in the HDI should be applauded. It is clear what it means, it is measurable, and it is a good in itself. Second, the introduction of democracy as currently defined would represent the introduction of one particular way of aggregation of preferences that is both geographically and historically circumscribed. This is a conceptual reason for leaving it out. But in addition (my third point), it is impossible to measure «democracy»: even if we could agree on what it is, and even more, if we could agree that it should be introduced into the HDI, it will remain measured by subjective «expert opinions», it will remain heavily politicized, and hence it would never reach the acceptability of measures such as health, education or income.

We have to be grateful to Leandro Prados to have produced a work of tremendous scope that blends empirics, economic history, philosophy (in the justification of elements that make for human happiness) and mathematics (in the way that these multidimensional elements are combined), and that thus allows us to discuss such topics again.