

# Inequality and the Capability Approach

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## Contents

Introduction.....	1
Recent debate on economic inequality .....	2
A capability perspective on distributional inequality .....	4
Capability poverty and capability inequality.....	4
Inequality within a given functioning.....	5
Inequality across functionings .....	6
Capability inequality.....	7
Issues for the capability approach arising from the focus on inequality.....	9
Issue 1: The added complexity of the capability approach in contexts of advantage .....	10
Issue 2: The role of income and wealth in a capability-inspired study of advantage and disadvantage .....	11
Issue 3: There are things advantaged people do that are difficult to understand without reference to monetary resources .....	12
Conclusion .....	13
References.....	15

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## **Editorial note**

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## **Abstract**

Inequality has acquired a newfound prominence in academic and political debate. While scholars working with the capability approach have succeeded in influencing the nature of debate about the conceptualisation and measurement of poverty, which is increasingly understood in multidimensional terms, the recent literature on inequality focusses overwhelmingly on economic forms of inequality, and especially on inequalities in income and wealth. In this paper we outline how and why the capability approach might be employed to provide a richer understanding of inequality, and of ‘advantage’ in particular. We also discuss three issues that arise when seeking to apply the capability approach to examine inequality rather than the more traditional concern with poverty. Addressing these issues is central to unlocking the potential that the capability approach has to enrich the understanding of inequality.

Key words: capability approach, inequality, distribution, advantage, measurement, poverty, income, wealth, multidimensional

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## Introduction

Distributional inequality – the gap between the rich and poor – is receiving attention in academic and political debate as never before. High-profile contributions by Piketty (2014) and others have been accompanied by pronouncements from the World Bank about the importance of ensuring that ‘prosperity’ is shared; reducing inequality within and between countries is one of the UN’s 17 Sustainable Development Goals. The capability approach has made significant progress in influencing the conceptualisation and measurement of *poverty*, especially in cross-national settings and concerning the global south, but its reach in terms of discussions about distributional inequality is so far limited.

In this paper, we seek to explore the conceptual terrain opened up by viewing the debate on distributional inequality through a capability lens, and to point to some issues that must be considered if we are to do so. The capability approach has emphasised the distinction between means and ends and has broadened the focus of poverty research from monetary resources to multiple dimensions of deprivation. In contrast, the majority of the work on distributional inequality has used metrics of income and wealth, interpreting them in most cases uncritically as markers of advantage and disadvantage.

This paper addresses two challenges. The first is to examine what a capability-inspired study of inequality might look like and what – if anything – the approach can contribute, conceptually speaking, to the study of distributional inequality. The second is to explore whether shifting our focus from a more traditional concern with poverty to one of inequality raises new issues for the capability approach, or casts a new light on some more familiar debates within the literature.

We should note, however, that the paper does not seek to address two further, related questions, each of which is important in its own right. The first is the normative justification for concern with inequality, however conceived. We do not attempt to provide a comprehensive theory of justice based on the capability approach, specifying which types of inequality are and are not legitimate. Rather, we assume that there are grounds for concern with distributional inequality and ask, given that, what insights the capability perspective can bring. The second question we do not attempt to answer is what measurement indices are best for the job. Considerable progress has already been made on these technical aspects (see for example Krishnakumar, 2014; Aaberge and Brandolini, 2015). As regards measurement, our focus is primarily on the types of variables that might be used in measurement (e.g whether resources or capabilities; and the specific dimensions) rather than the particular measurement index used to summarise these, though we recognise that both are fundamental components of the practice of inequality measurement. Finally, we should be clear that our focus is on distributional or ‘vertical’ inequality – differences between the top and the bottom of the distributions of functionings and capabilities, and not on the differences in poverty rates or achievements between sub-groups in the population (‘horizontal’ inequality).

The paper is structured in five sections. In the next section we provide a brief summary of some of the recent literature on economic inequality. We then outline a capability perspective on distributional inequality, which serves to highlight the contribution that a focus on people's capabilities can make to this field. The penultimate section identifies three issues that the focus on inequality raises for the capability approach, while the conclusion summarises the preceding arguments.

## **Recent debate on economic inequality**

The recent scholarship on inequality has focussed primarily on *economic* inequality (e.g. Atkinson, 2015, Piketty, 2014, Stiglitz, 2013 among others). A key division within this literature is between studies that examine inequality within selected Western nations, and those that investigate the extent of global inequality (that is, inequality between people living in different countries, or inequality between nations). Perhaps the most important finding from literature on the former has been the substantial rise in inequality since the 1980s which, as Atkinson (2015: 17) suggests, has reversed the post-war trend in the West towards more equal distribution of incomes and, by 2013, meant that the US was half-way towards returning to the levels of inequality seen in the inter-war years. A similar picture is painted by Thomas Piketty, who claims that, in the absence of significant capital taxation, 'capital's share of global income could amount to 30 or 40 percent, a level close to that observed in the eighteenth and nineteenth centuries' (2014: 233). More broadly, inequality, as measured by the Gini coefficient, has been observed to rise in the overwhelming majority, though not all, of the OECD in the last 25 years (Jenkins, 2016).

As well as analysing trends in *overall* inequality (typically measured by the Gini coefficient), this literature has been particularly sensitive to income changes at various points on the income distribution. This has led to a focus on the rising share of income accrued by the richest 1% of the income distribution, where inequality has been particularly concentrated (e.g. Atkinson, 2015; Jenkins, 2016).

Atkinson (2015) reminds us however that there is nothing inevitable about wide or widening income and wealth gaps. Policy matters. The form and extent of the welfare state, the rules determining ownership of wealth and its transmission, including property and inheritance taxes, and the regulation and governance of the labour market all make, or have the potential to make, a substantial difference to the degree of inequality generated within capitalist economies.

While there are exceptions (e.g. Piketty, 2014: 326-330), this literature has been largely based on the experience of developed countries and has focussed on *within*-country inequalities. There is, then, a second set of scholarship that has argued that economic inequality needs to be considered in a global, and not national, context (e.g. Milanovic, 2011; Bourguignon, 2015). To this end, Milanovic (2011) offers a concise framework for disaggregating inequality – namely, by disaggregating total global inequality between that *within* nations and that *between* nations. Enlarging our perspective in this

way is significant because, as Bourguignon (2015: 2, emphasis in original) laments, ‘the rise in *national inequality* has in general eclipsed [in public debate] the drop in *global inequality*, even though this drop is undeniable’.

A second division within this existing literature is between studies that focus exclusively on inequalities in income and wealth (e.g. those identified above) and others that explore inequalities across a wider range of dimensions. Where analyses adopt the latter approach, a second distinction is the *way* in which multiple dimensions are incorporated into the analysis. One approach has been to focus on the *consequences* of wide economic inequalities for individuals and societies as a whole. Stiglitz (2013) argues that the monopolistic practices and the capture of politics by the wealthy associated with extreme inequality is damaging to economic growth, and that the poor bear the brunt of the cost. Wilkinson and Pickett (2009) have argued that more unequal societies experience higher rates of health and social problems, based on an analysis of cross-national data from 23 rich nations, and from the fifty states of the USA. Their analysis and interpretation of the data have been the subject of considerable scrutiny and debate (e.g. Saunders, 2010; Snowdon, 2010; Rowlingson, 2011). One conclusion that emerged from the *Growing Inequalities’ Impacts* project (or GINI, see Salverda *et al.*, 2014) was that ‘the evidence that income inequality plays the central role sometimes proposed for it across a range of social outcomes is relatively weak’ (Nolan and Whelan, 2014: 168), with the authors arguing that analysts must take greater care in distinguishing between the impact of income inequality, absolute income differences and socio-economic disadvantage, on the one hand, and social outcomes on the other.

Not all of the recent scholarship in this area has solely focussed on economic inequality and its consequences, however. Therborn (2013) argues that economic inequality is just one of the *forms* of inequality that we should be concerned with. Drawing inspiration from the capability approach, he argues that ‘the violations of human capabilities which inequality constitutes require a much broader empirical and a much deeper theoretical approach’ (2013: 6) than existing work has tended to take. Building on the work of Nancy Fraser, he expresses concern for both economic inequality *and* for ‘unequal allocations of personal autonomy, recognition and respect’, with a particular focus on differences on the basis of group membership on the basis of ‘race’, ethnicity, gender and so forth. Therborn’s focus concerns the *nature* of inequality itself: while economic inequalities are increasing, those based on group membership (which he calls ‘existential inequalities’) have at the same time narrowed, especially in relation to respect and status (2013: 137-145). Similarly, in *The Great Escape*, Angus Deaton (2013) explores the evolution of and relationship between health and wealth over time, arguing that human progress often generates inequalities between those who benefit first from new technology and other advances, and those left behind. The question, for Deaton, becomes whether these emergent inequalities persist or are then closed by spreading progress to all.

The recent scholarship on inequality is both wide-ranging and multifaceted. Moreover, while some of it is concerned exclusively with inequalities in income and wealth, other contributions, both capability-inspired and otherwise, include a focus on what people are able to do and be (i.e. at least some of the social impacts assessed could be

considered to reflect capabilities or functionings). Our aim in this paper is to ask what the capability approach can add to this literature, in terms of the conceptualisation and measurement of inequality and, conversely, what questions this recent scholarship poses for the capability approach. It is to these questions that we now turn.

## **A capability perspective on distributional inequality**

### ***Capability poverty and capability inequality***

Sen's early essay on the capability approach was entitled 'Equality of what?', not 'Poverty of what?', yet much of what has followed – including contributions by Sen himself – has focused on the extent to which people are able to enjoy basic capabilities. Similarly, Nussbaum's central human capabilities are understood to be minimum standards that should be guaranteed to all. These ideas have more in common with the concept of poverty (being below a given threshold) than with inequality (understood as the gap between the top and the bottom, or the overall shape of the distribution). In terms of key global applications, the Multidimensional Poverty Index, for good reason and as the name suggests, counts people who fall below the relevant thresholds. The Human Development Index (HDI) captures achievement across the full range, but is presented on the basis of country-averages, though the annual Human Development Reports also feature information about the distribution of health, life expectancy and income in each nation in their inequality-adjusted HDI measure (e.g. UNDP, 2015: 66-68). Empirical work using the capability approach more generally has extensively examined the prevalence of capability poverty, often multidimensionally (Chiappero Martinetti and Roche, 2009); documented the lack of overlap with income poverty (Hick, 2016b); and investigated differences in the incidence of capability poverty between men and women, between ethnic groups, between regions and between countries (Robeyns, 2003, Alkire and Santos, 2014, Wang et al, 2015), or what we have labelled 'horizontal' inequality above.

We do not learn very much from the existing capability literature, conceptual or empirical, about the magnitude of the gaps between the capability-rich and the capability-poor (the 'stretch' of the distribution) within nations. Nor do we learn very much about the distribution of people across the full range of a given functioning or capability (the 'spread'). The literature on economic inequality offers a rich menu of measures with which to examine the stretch and spread of income and wealth distributions, such as the Gini or the 90:10 ratio or the Atkinson family of indices, but equivalent applications in capability space are limited, though the inequality-adjusted HDI is one exception. Even less can be learned from the existing literature about the top end of achievement, or capability advantage, and about how advantages across multiple dimensions are concentrated amongst a privileged elite.

Here one might raise the objection that while there may be sound political and philosophical grounds for concern about income and wealth inequality, no such case has been established in relation to capability inequality. Indeed Sen has gone to some length to assert that it is not his aim to offer a comprehensive theory of justice (Sen,

2009). Hence it is perfectly reasonable that inequality analysis should focus on income and wealth, in which, for example, Rawlsian liberal egalitarians have a clear interest, and not on capabilities. As noted in the Introduction, mounting an argument for the normative significance of capability inequality is a task for another paper, but suffice here to say that there is no reason to believe that variation between people in the rate of conversion of income and wealth into valuable ends applies only at the bottom of the distribution. Hence if conversion factors are a key part motivation for moving from material resources to multiple dimensions in assessing well-being, they are also likely to apply in assessing inequality. Assessments of inequality that fail to take account of them may be misleading.

The other line of defence for the potential relevance and importance of thinking about inequality in capability space is that inequalities in dimensions like health, education and self-respect have instrumental significance for capability poverty. A parallel argument has become widely accepted in the economic inequality literature: wide income inequalities make poverty reduction more difficult (White and Anderson, 2001). So even if one does not care about inequality itself, one may need to identify and reduce inequalities to expedite progress in relation to poverty. So while we are not here establishing the normative case for reducing capability inequality we think there is sufficient reason to say that there is a case to answer, on both intrinsic and instrumental grounds.

The next section therefore begins to unpack the concept of ‘capability inequality’ and demonstrate the various ways that this might be understood. First, we could examine individual functionings: what is the gap between high and low achievement on a given functioning, and how are people distributed across this range? Taking one step up in terms of aggregation and complexity, we might compare combinations of observed functionings: how much richer is one person’s combination of functionings than another person’s, or how are people distributed across the entire range of ‘rich’ to ‘poor’ functioning vectors? A third step would entail a shift from functionings to capabilities. A capability set, as we know, comprises a set of combinations of functionings, where each combination represents a feasible alternative way of life (beings and doings) for the person concerned. The most comprehensive and high-level concept of capability inequality is therefore expressed in terms of sets: how much richer is one person’s complete capability set than another person’s, or how are people distributed across the entire range of ‘rich’ to ‘poor’ capability sets?

### ***Inequality within a given functioning***

Starting, then, with a given functioning – say, the functioning of learning – we can readily see that there is a straight-forward way to conceptualise inequality. In Ancient Greece, the spectrum of learning ran from illiterate slaves to philosopher-scholars – the former, of course, significantly contributing to the ability of the latter to lead the life of learning that they enjoyed. In such societies, the magnitude of the gap between high and low achievement was large. In contrast, in modern-day Sweden, with free universal early years provision through to college education, and extra resources for children with special needs, the gap between high and low achievement in learning is comparatively



small. These examples are chosen to illustrate the contrast, but comparisons between contemporary societies, even those within a given region of the world, could also be instructive. Note that while an association between overall learning inequality and overall income inequality might be expected, there is no reason to think that they would map onto one another precisely. On the contrary, we know that the form adopted by welfare states in general, and education systems in particular, affect the distribution of educational outcomes (West and Nikolai, 2013). So investigation of functioning inequality in relation to learning is likely to add value to investigations of income inequality since the latter cannot be assumed to be a good proxy for the former.

Moreover, examining the whole distribution of a functioning such as learning will reveal different information than that provided by a focus on functioning-poverty (say, the proportion of the population with functional literacy, or the proportion with secondary-level education). Some societies may do well in ensuring that few fall below a minimum standard, but allow very wide inequalities to open up above that level. Other societies may have high rates of learning-poverty but relatively low levels of inequality. In other words, the *shape* of the distribution will vary between countries, as well as the overall stretch from top to bottom. This observation in turn generates research questions around what contextual and policy factors affect the shape of the distribution, and who is situated where in the distribution.

### ***Inequality across functionings***

The example in the previous section was of a functioning that is commonly available and that people value and have reason to value. We defined the functioning broadly ('learning'), in order to facilitate comparisons across a distribution. Had we defined one functioning of 'literacy' and another separate functioning of 'critical appreciation of poetry' it would have been harder to make sense of the idea of a distribution within each, and neither would have made a convincing representation of overall inequality in this domain of life. But is it plausible to think that all beings and doings can be described in a way that embraces a full spectrum of achievement? Or might there be some functionings that are wholly unavailable to disadvantaged people, and which *by that very fact* form an important part of understanding inequality in functionings as a whole? For example, the functioning of 'influencing public opinion' is not available to the vast majority of ordinary people. They may be able to cast their vote, engage in debate with their neighbours and associates, or even participate in social media, but their influence on aggregate public opinion is typically minimal. By contrast, politicians, celebrities, journalists, and especially mass media owners, enjoy significant influence as individuals over public opinion. Moreover, the degree to which high levels of this functioning are concentrated in the hands of a few, or distributed across a broader section of society, varies substantially across places and periods. This seems an important part of the overall picture of inequality in functionings, and one that we would miss if we focussed exclusively on basic capabilities.

This line of thought might lead one to reflect on Sen's distinction between well-being and agency goals.<sup>1</sup> Recall that Sen defines well-being as functionings relating to the welfare of a person (health, standard of living, and so forth) that are more or less universally valued, while agency goals are person-specific and are defined by the objectives the individual has set for him or herself (to liberate Syria or achieve Olympic glory) (Sen, 2009: 286-290). Sen notes that a person may choose to forgo well-being functionings in order to pursue his or her agency goals; one reason why an evaluation of well-being should ideally focus on capabilities rather than functionings. Does shifting from consideration of poverty and disadvantage, to inequality and advantage, correspond to moving from an evaluation of well-being to an evaluation of agency goal achievement? Certainly it appears – as our discussion of influencing public opinion showed - that the shift in focus from poverty to inequality entails a broadening of the capability list beyond basic capabilities, but that does not necessarily imply embracing agency goals. On the one hand, people may enjoy high-level functioning advantage without particularly aspiring to do so (for example, the family of a victim of police brutality may have considerable public influence through how they react, even though they never sought such influence), and on the other hand, the achievement of all sorts of agency goals may not carry much weight in an evaluation of inequality from a public policy perspective, which is typically concerned with well-being achievement. Of course, this raises the question of how we are to determine which functionings or capabilities are indeed relevant for the evaluation of inequality. We discuss in the section below the challenges presented by constructing a capability list for this context.

Thus far we have considered inequality within a given functioning, and inequality across functionings in the form of access to additional functionings. A different form of inequality across functionings is represented by higher or lower correlation of levels of achievements across functionings. Returning to our example of the functioning of 'learning', and adding now the functioning of 'health', we can envisage one society in which low education and poor health are strongly correlated and high education and excellent health are likewise strongly correlated, and another society in which, despite a strong correlation at the bottom of both distributions, higher levels of education are not strongly predictive of particularly good health. To express it another way, we might be interested in whether there is a concentration of *advantages* across functionings, as well as the more familiar analysis of a concentration of disadvantages. Wolff and de-Shallit (2007) discuss the idea of fertile functionings – a virtuous circle in which improvement in one functioning leads to an improvement in another – and the opposite: corrosive disadvantage. The extent to which such concentrations exist are likely to influence our understanding of inequality between countries and over time.

### ***Capability inequality***

Moving on from considering combinations of functionings to considering capabilities brings us into the realm of what people are able to be and do, in addition to their observed states and activities. How much more real freedom do the most advantaged have than the least advantaged? This idea attracted some philosophical interest in the

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<sup>1</sup> We are grateful to Mathias Nebel for this suggestion.

early years of the development of the capability approach with debates about the paradoxes produced by attempting to count or internally value freedoms (Jones and Sugden, 1982; van Hees and Wissenberg, 1999; Bavetta, 2004) and there is still no consensus about how to value a capability set. This is certainly an obstacle to assessing capability equality in the most comprehensive sense.

Nevertheless, taking a step back from the philosophical and technical challenges, one can see that the concept of capability inequality corresponds to an important intuition about the nature of inequality in the world as we know it. The advantage held by global and national elites resides not only in their vast fortunes, but also in the freedom they enjoy in other domains – in political influence, in geographical mobility, their room for legal manoeuvre, in security and in access to knowledge and information. Crucially, they do not necessarily need to actualise these freedoms in order to secure advantage – the *capability* is often sufficient. And once again, although multi-dimensional advantage is in most cases associated with high levels of income and wealth, the strength of this association is not constant across domains, so new insights are potentially generated by broadening the scope to include other dimensions.

The position of elites is mirrored in less dramatic form by the middle classes. Note that capability advantage is not only about having more freedom with respect to particular functionings, but also about the freedom to enjoy more valuable *combinations* of functionings. Advantage frees a person from having to trade-off one desirable end against another: she can have her cake *and* eat it, or, more to the point, she can enjoy time off work *and* have a good standard of living *and* a healthy environment rather than having to choose between these objectives. This perspective lends itself to the idea of capability set dominance, with a pre-specified (and restricted) capability list, which has been explored by Pattanaik and Xu (1990) among others. It is plausible that the concentration of advantage is even more pronounced in capability space than in functioning space – freedom begets more freedom – but that remains to be investigated empirically.

These are ways in which a capability perspective can enrich the study of distributional inequality and can move the literature on from the dominant emphasis on income and wealth. As the discussion in this section suggests, extending the range of analysis from poverty and disadvantage, to inequality and advantage, potentially brings into scope capabilities that harm other people. Indeed, several aspects of advantage, especially at the extreme, are manifested by the ability (if not the actuality) of exercising power over others, possibly to their detriment. For example, the exploitation of other people's labour, and of natural resources and the environment, the manipulation of political and legal systems, and the ability to threaten or carry out physical violence are all means by which advantage can be secured. Dean (2009) argues that it is a weakness in the capability approach that it fails to recognise such power relationships. It seems as if a full account of distributional inequality in capability space will need to address this gap.

However, some interpretations of the capability concept exclude harmful capabilities by definition. According to a Kantian interpretation of real freedom, for example,

capabilities to harm other people are internally inconsistent. The categorical imperative states, ‘Act always on such a maxim as thou canst at the same time will to be a universal law’ (Kant, 1907 translation). True freedom consists in living by laws one has given to oneself; hence, freedoms that harm others are not real freedoms at all.

Sen acknowledges Kantian moral philosophy as one of the foundations of the capability approach (Sen, 2009), but he rejects the notion that capabilities are by definition good capabilities, or only those that are not harmful to others. The idea of capability, “does not go with any kind of belief that all capabilities must be seen to be valuable and to be cherished, rather than, in many cases, resisted and restrained” (Sen, 2012, p.xiii). Robeyns (2016) concurs, and delineates two distinct steps: in the first place, the identification of the evaluative space (capabilities), and in the second, the selection of the capabilities that will be the focus of the evaluation. The first step does not imply any judgement about whether the contents of the space is good or bad, it simply defines the space as containing the relevant type of ‘objects’ for the evaluation. The second step implies that positive or negative value is attributed to the selected capabilities. In capability analysis of poverty and disadvantage, it is appropriate to select capabilities that people ‘value and have reason to value’. In capability analysis of inequality and advantage, it may be necessary to add capabilities that people do not have reason to value (in the Kantian sense), but which are relevant to understanding the nature of advantage.

Thinking about distributional inequality in functionings and capabilities opens up new conceptual terrain and new avenues to explore empirically. We can investigate the degree of ‘stretch’ in common functionings such as learning and health, and the shape of their distributions. We can identify additional functionings that are associated with advantage and unavailable to most, such as influencing public opinion. We can explore concentrations of high-level functioning as well as concentrations of disadvantage. And we can think about advantage as freedom from trade-offs between valuable ends, as well as potentially incorporating capabilities that are harmful to others. However, focussing on inequality, and advantage in particular, raises new challenges for the capability approach, and sheds new light on some existing questions, as we explore in the next section.

### **Issues for the capability approach arising from the focus on inequality**

In this section, we identify three issues that arise when seeking to apply the capability approach to understand inequality, and ‘advantage’ in particular. These are:

- the added complexity of the capability approach in contexts of advantage;
- the issue of whether income and wealth should have any role in capability-inspired studies of inequality; and
- the challenge posed by forms of advantage that can be difficult to understand without reference to resources.

### ***Issue 1: The added complexity of the capability approach in contexts of advantage***

That the capability approach is more *complex* than unidimensional, resource-centric analysis is well-recognised (e.g. Wolff and de-Shalit, 2007), owing to challenges around identifying valued dimensions, working with a multidimensional analytic framework, and so forth. However, there are at least two ways in which context of *advantage* accentuates widely-recognised challenges in terms of the complexity of applying the capability approach.

The first arises from the selection of dimensions (the capability ‘list’), which is recognised as being of the central issues for those working with the approach (Hick and Burchardt, 2016). It has been previously observed that, in the context of *disadvantage*, various ‘lists’ of valued dimensions often have a common core (Alkire, 2010). Though there may be competing explanations for why such a commonality emerges, we have suggested that one plausible explanation is that people have needs, which leads quite diverse studies in different geographical contexts to identify similar valued human ends (but which does not preclude particular studies including dimensions that others do not, and does not mean that the division of ‘concerns’ into dimensions will always be the same) (Burchardt and Hick, 2016).

Nonetheless, if our aim is to identify those functionings that only advantaged people can achieve (or, at least, to include these in our analysis), then the list may become very long and heterogeneous indeed. In looking at achievement at the top, we no longer have “basic” dimensions to hang on to, and this inability to retreat to basic dimensions means that the complexity involved in a capability analysis of inequality would be considerably greater than an account where the focus is on *disadvantage*.

The second way in which a context of advantage adds to the complexity of the capability approach is because it makes the problem of the non-observable nature of people’s capabilities more significant. As Burchardt and Hick (2016) argue, the response of many authors working with the capability approach to the non-observable nature of people’s capabilities is, at an empirical level, to analyse their functionings, which are observable, and then use this information to draw inferences about their capabilities. For ‘basic’ capabilities or dimensions that are considered to be constitutive of human need, such inferences may seem plausible – when a person is homeless, one may assume that, in the vast majority of cases, that they do not have the ability be well-housed (or at least not without violating something else of fundamental importance, such as their physical safety or mental well-being).

However, when it comes to the context of *advantage* – it is less clear that the absence of a particular functioning reflects a lack of capability. If a person in their early 60s is in paid employment rather than having retired early, are we to assume that they lack the capability to retire? Does the fact that a millionaire has not sought to influence the political process through corrupt donations mean that they could not do so if they desired? The point here is that, as we move away from ‘basic’ achievements, the relationship between capabilities and functionings is likely to be governed to a greater extent by the preferences of the individual.

The essential question that these examples raise is how much complexity one needs to engage with in the study of inequality. Given the heterogeneity of non-basic capabilities, does it make sense to make the shift from income and wealth to functionings and capabilities in this context? Is the added “realism” trumped by the complexity introduced (i.e. the trade-off framed by Wolff and de Shalit, 2007)? We do not propose a once-and-for-all answer here, but we do believe that a focus on advantage, as opposed to the more traditional focus on disadvantage, alters the nature of this trade-off.

### ***Issue 2: The role of income and wealth in a capability-inspired study of advantage and disadvantage***

A second issue relates to the role, if any, that income and wealth should play in a capability-inspired study of inequality. At first glance, this may seem surprising: if one does not make the shift from resources to capabilities and functionings, then how can one seriously claim that a study is inspired by the capability approach at all? The means-ends distinction is argued by Robeyns (2016) to be one of the essential features of the capability approach.

In order to understand the choice between resources and capabilities more clearly, we believe it is important to distinguish between *conceptualisation* and *measurement* of (dis)advantage. In the capability literature the resources-capabilities-utility choice is often discussed as one concerning the ‘evaluative space’ (Robeyns, 2016: 407). For example, Sen (1993: 33) has argued that:

‘the approach does not attach direct – as opposed to derivative – importance to the *means* of living or *means* of freedom (e.g. real income, wealth, opulence, primary goods, or resources), as some other approaches do. These variables are not part of the evaluative space, though they can indirectly influence the evaluation through their effects on the variables included in that space’ [emphases in original, subscript is ours].

But when one speaks of the ‘evaluative space’, does this refer to conceptualisation or measurement, or both?

In terms of conceptualisation, we agree with Robeyns that any capability scholar will understand advantage and disadvantage in terms of what a person can do or be, and not in terms of the extent of their resources. To draw on a concept employed by Sen (2009) in terms of understanding justice, identifying capabilities as the object of enquiry is *transcendental*.

However, the question of how to measure advantage and disadvantage is pragmatic and essentially *comparative*. Theory alone cannot select the type of measures we employ. As Jenkins (2011: 29) argues, deciding between competing measures of poverty ‘is a matter of balancing principle and practice’. If there is a limitation of some capability scholarship, it is to treat questions of measurement as being, in essence, matters of principle, without paying sufficient attention to issues of practice.

Where income measures, imperfect as they are, represent better proxies of the underlying capabilities than the measures of functionings that we have at our disposal, then it is *not* a departure from the capability approach to measure advantage and disadvantage using income and wealth (or, at least, to focus on income and wealth as measures of economic inequality, alongside other measures of non-economic inequality)(see also Hick, 2016a). This is particularly the case if our interest is in ‘advantage’, when direct measures of advantage are largely absent or may be of poor quality.

While resource-centric approaches to measuring inequality may have their limitations in terms of capturing what people have rather than what they can do and be, they do have other advantages. One is that ‘the informational content is high in the sense of being able to discriminate between individuals to a fine degree’ (Jenkins, 2011: 26). If the concentration of resources at the top end of the income distribution *matters* (for example, a growing concentration income held by the top 1%) then it poses a challenge for those who have a preference for direct measurement of people’s functionings to identify sensitive measures that can capture the effects of this concentration.

Increasing concentrations of income and wealth at the top either will or will not lead to a widening inequality in what people can do or be (the former seems intuitively more likely to us). If it does not because, perhaps, the conversion function between resources and functionings is non-linear (e.g. all income & wealth gains are swallowed by the costs of acquiring ‘positional’ goods), then this would be a finding of considerable importance and would confirm that the pursuit of wealth by those who are already rich is of questionable benefit, even to themselves. If, as seems more likely, the increasing concentration of wealth at the top *will* lead to increasing inequality of at least some capabilities, then we either need to continue to monitor income or wealth directly or we need a sufficiently sensitive set of measures to capture changes in capabilities at the top directly.

Again, to emphasise, this is fundamentally a comparative and not a transcendental question. At present, it is far from clear to us that such measures exist, at least in a comprehensive form (i.e. beyond one or two stylised examples). It is important that in making a principled shift from focusing on people’s resources to their capabilities, we do not select measures that are insensitive to real and meaningful changes in inequalities in society. The distinction between conceptualisation and measurement warrants greater discussion in the capability literature and using measures of income and wealth, provided they are analysed as proxies for underlying concepts of functioning and capability, is not precluded by the approach.

***Issue 3: There are things advantaged people do that are difficult to understand without reference to monetary resources***

In considering the contribution that the capability approach might make to the study of distributional inequality, we have sought to identify some functionings that only advantaged people can achieve, and which are typical, or at least reflective, of the

experience of being advantaged. This has led us to the conclusion that there are forms of advantage that are the subject of much public discussion and interest and which are difficult to capture other than through a resource metric. For example, a wealthy person may engage in (illegal) tax evasion or (legal) tax avoidance. They may gift substantial sums of money to their children, for example, thus seeking to pass on some of a family's accumulated advantages to the next generation. It is hard to capture the significance of such activities in terms of their impact on inequality without reference to the amounts involved. It matters if we are talking about £2,000 or £2m, or some value in between – even though the reason why it matters is not the value itself but because of the potential effects on the sorts of lives that people can lead.

A second aspect of advantage that is difficult to understand without reference to resources is the acquisition of wealth more generally. As Piketty (2014: 50) reminds us, 'capital is a stock', while 'income is a flow'. While a person may not utilise all of their income to improve their standard of living (by making savings, for instance), an implicit assumption by non-capability scholars in contexts of *disadvantage* is that income acts as a reasonably proxy for standard of living. Where this proxy is believed to be flawed, some analysts, especially in developing countries, employ measures of consumption instead of income (see Jenkins, 2011: 26-30 for a discussion).

However, in a context of *advantage*, a person may hold substantial wealth, and while this wealth might expand a person's capability set dramatically (e.g. by enabling new functionings if they were to choose them, or by weakening the trade-offs between functionings), it may, in the short term, have a limited impact on their achieved functionings. Indeed, where wealth is not acquired for reasons of status or for immediate consumption, it is typically to increase a person's capabilities at some point in the (sometimes distant) future. And yet, it is difficult to capture these enlarged capabilities by drawing inferences from information about people's functionings, which has been the primary measurement approach adopted in empirical applications of the capability approach in the field of poverty analysis.

## Conclusion

Inequality has acquired a newfound prominence in academic and political debate. The primary focus of recent scholarship on inequality has been on *economic* advantage and disadvantage and, in particular, the study of inequalities in income and wealth. In this paper we have sought to address two challenges – the first, to examine what a capability-inspired study of distributional inequality might look like and what it could contribute; and the second, to explore whether shifting our focus from poverty to inequality raises new issues for the capability approach, or casts a new light on some more familiar debates within the literature.

We have argued that the multi-dimensional focus of the capability approach *can* provide new insights into distributional inequality. There is value in understanding not only the disparities between functioning poverty rates for different groups (or, horizontal



inequality), which has hitherto been the focus of much empirical work in the capability approach, but also the full distribution of achievement within any given valued dimension (or, distributional inequality). The ‘stretch’ of the overall distribution of a functioning such as ‘learning’ varies across place and time in ways that are not fully captured by measures based on resources. Moreover, the concentration of advantages across dimensions of interest may also vary: an aspect of inequality that is unobserved where the focus is on a single metric such as income. The multi-dimensionality of the capability approach is therefore crucial, but so too is its emphasis on real freedoms as well as achievements. Some aspects of advantage, by their very nature, are better thought of as capabilities rather than functionings – that is, options available to a person, which they may or may not elect not to utilise at a given point in time. Finally, we have argued that a crucial aspect of advantage is the weakening of the trade-offs people face between valuable ends. These perspectives are not straight-forwardly captured, either conceptually or empirically, by resource-centric analyses, and this leads us to conclude that there is promise for the capability approach in this area.

However, the recent focus on inequality also raises new issues for the capability approach and casts some familiar issues in a new light. We have argued here that the context of advantage is likely to add to the complexity of the capability approach, both because of difficulties in identifying an agreed set of dimensions to evaluate and because of the operational challenges that arise from a greater emphasis on capabilities as opposed to functionings. Second, we have argued that while the means-end distinction and the prioritisation of capabilities and functionings as the conceptual space is a key principle of the approach, the selection of measures to examine inequality empirically must be guided as much by practical concerns as by principles. Taken together, this leads us to question whether a capability-inspired study of advantage and disadvantage could shift away from a focus on income and wealth entirely, or whether income and wealth would have to be retained as measures of economic inequality, but supplemented by broader focus on achievements in other dimensions. Finally, we have argued that there are some beings and doings that are important in understanding advantage that are hard to comprehend without reference to resources, such as tax avoidance or evasion, or inheritance. The scale of these practices, in terms of their monetary value, is critical.

The academic and political emphasis on inequality in recent years has been as significant as it has been surprising. The capability approach can add value to the study of distributional inequality and we have outlined new avenues for enquiry that would extend the literature in this area. However, addressing the challenges we have outlined is central to unlocking the potential that the capability approach has to enrich the understanding of inequality.

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