

The Increasing Role of Practical Reason in the *Human Development Reports*

Abstract: This paper will argue for the need to reinsert practical reason into economics. It will first define, classify and characterize practical reason. Secondly, it will show how it applies to Economics (Section 2). Then, it will note the presence of this use of reason in the construction of the UNDP's Human Development Index (Section 3). Finally, the paper will maintain that the UNDP is increasingly making use of this form of reason (Section 4).

Key words: Practical reason, Economics and values, Role of economists.

JEL codes: A11, A13, B41

This paper argues for the need to reinsert practical reason in economics and presents the *Human Development Reports* (UDR) of the United Nations Development Program (UNDP) as an example of the evolution of this reinsertion. Practical reason is the use of human reason to deliberate about human ends. Economics, since the contributions of Robbins, has considered ends to be given, and not subject to rational inquiry. Conversely, philosopher Hilary Putnam in his book, *The Collapse of the Fact/Value Dichotomy* (2002), has argued that ends matters in economics and that they can be discussed rationally. Ends cannot be separated from economics because description and evaluation are interwoven and interdependent (2002: 3). Putnam's example of the recognition of this position in economics is Amartya Sen's capability approach. Sen (2002: 51) complains about the arbitrary narrowness of current formulations of economic rationality. Instead, he asserts that, in his work, "rationality is interpreted here, broadly, as a discipline of subjecting one's choices –of actions as well as of objectives, values and priorities– to reasoned scrutiny" (2002: 4). For him, "rationality includes the use of reasoning to understand and assess goals and values" (2002: 46).

In a similar line of thought, Anthony Atkinson, has argued in his paper “Economics as a Moral Science” (2009: 794) that economists have continued making welfare statements, without using positive statements exclusively. Atkinson mentions the Human Development Index (HDI), constructed and published by the UNDP as a prime example. Sen’s capability approach serves as the basis for this index. In this paper I will sustain that the HDI has epistemic, technical and axiological aspects. This is due to the fact that there is a logical way of understanding and building the Index as well as a definition of the ends and their relative weights. Hence, the HDI becomes an occasion to engaging in the discussion about the definition of the ends or if, as Robbins indicates, they should only specify the best way of achieving the ends determined upon in other stages.

In **March** of 2010 I presented a paper dealing with these issues in a workshop in XX. In that paper I explained the nature of practical reason and practical science and their role in economics. Then, I analyzed the case of the HDI, I detailed the reasons why I complained about the deficiencies of the Index concerning practical reason, and argued for increased attention to it. At the end of that year, the 2010 HDR introduced some changes in the line of the greater attention for which I was arguing. My original paper has recently been published (xx: 2012). However, I was not able to add more than a footnote to it recognizing this improvement. In the present paper, which is a continuation of the previous, I want to convey and briefly analyze these changes. **Thus, it has essentially the same structure as the first paper, adding these new contributions.** Drawing upon material from the first paper, I will offer a synthesis of the nature of practical reason (Section 1), of how it applies to Economics (Section 2), and of the relatively notable presence of this use of reason in the building of the HDI (Section 3 –**this Section specially uses material from the first paper**). Then, I will sustain that the UNDP is making increasingly use of it (Section 4). This increased use is manifested both in changes of the HDI and in the introduction of a new Index, the Multidimensional Poverty Index. The paper ends with a short conclusion.

1. Practical Reason and Practical Science

Human beings decide what to do using their intellectual capacities. Broadly speaking “practical” means ordered to decision and action. Practical thought is thinking about what one ought to do, for what reasons and how one could do it. Practical reason is human reason itself in the task of directing persons towards decision, choice and action. It tries to answer the question “how should I behave?” “or what I ought to do?” Hence, practical reasoning is the discursive or inferential thinking about what we should do: it relates reasons and appraises the alternative means to attain them.

This inquiry about how to act stems from a practical experience: the experience of looking for a goal when acting. A rational being, such as humans, naturally asks itself why should it search one or another goal and what are the means to attain it. This question together with an answer to it is involved, at least tacitly, in any action. The experience of the goal of an action –a goal that may be good or bad in itself and/or for us– is the starting point of practical reasoning. The reflection about it is the beginning of ethics. In this way practical reason adopts a normative function. We may say that normative rationality is the specific structure of human action. Practical reason also enacts norms to believe in. In that way, it also expands its scope to the theoretical field when theoretical reason cannot sufficiently justify its hypothesis.

However, one may ask, couldn't people decide to act irrationally? Strictly speaking they cannot, because human decisions always imply rationality. “Irrational” means instinctive, sensitive, “outside” reason. Classical philosophy distinguished between “human acts” –deliberately performed –, which are rational; and “acts of humans” –instinctive or mere reactions– which are irrational simply because they do not stem from reason and rational will. Actions stemming from instincts, passions or any irrational faculty are not determined by voluntary decisions and thus, considered in themselves, are not strictly “human actions”. Rationality however, embeds even these

actions in such a way that we can also look for reasons for instincts, emotions, etc. The affirmation of the rationality of any human action supposes the use of the term “rationality” in its broadest sense, without any qualification. If, for example, we define economic rationality as maximizing behaviour, we may find economically irrational human actions that, however, are not irrational from an unqualified concept of rationality. Or if we speak about a precise ethical rationality, we may act irrationally from an ethical point of view when we commit sin, while the action is unqualifiedly rational (persons have their reasons for committing sins). However, within the field of practical science the term “rational” is often used in a more restricted way to mean an ethically good action. This is because the right or good action is the action according to nature, and only this kind of action is rational from this point of view. Thus, strictly speaking within the practical field we call “practical truth” to the good action. From this perspective, practical reasoning leading to a bad action is wrong reasoning. According to Aristotle the mean in which virtue lies is determined by reason, the reason by which the prudent person would determine it. Moral good is not something extrinsic, added to the action, but rather its very rational order.

Practical philosophy or science is a disciplined and critical reflection on practical reasoning, its process and its goals, a normative reflection about the right goals of human actions. A condition of possibility of this reflection is that we can know what is good for the human being. Practical science is an essentially moral or evaluative science. If the former is true, what will happen with the value-free requirement –a canonical exigency of positivist science? We have to interpret value-freedom in another way. Value-neutrality will not be ‘officially’ leaving values aside, but ‘impartially’ reasoning about them. How could we neutrally describe social facts? Neutrality in the ‘concept-election’ in social sciences is only achievable through the scientific definition of the standards of rational practical reasonableness. That is, the way to manage the value-free requirement is not to

discard values –which is impossible– but to reason about them, and thus rationally determine the set of them that should be preserved at the roots of science.

Given the highly contingent nature of human actions, practical science is inexact. This does not imply a weakness but an adaptation to the subject matter. This is the why practical science is highly inductive, particularly taking data into account. As mentioned, it is normative: it indicates a conduct to be performed.

2. Practical Reason in Economics

In the Introduction to this paper, I agreed with Putnam that ends cannot be separated from economics because description and evaluation are interwoven and interdependent (2002: 3).

Human actions are not only allocations of scarce means given some ends. In the process of action, ends are both given and generated. This is why ends have to be reconsidered in economics.

However, economics tends to limit itself to technical or instrumental reasoning, considering only the efficient allocation of means, given ends. Davis (2004: 401) proposes one possible explanation for this: “One reason that instrumental rationality theory has been attractive in economics is that having a single model of analysis makes possible a high degree of logical and mathematical determinacy in economic explanation.” Instrumental rationality allows for an exact calculation because, given the ends, its task is only to allocate the means necessary to achieve them. At the same time, this simple framework may be applicable not only to traditional economic affairs but also to all human action, as Robbins insinuated and Gary Becker developed.

Ronald Coase (1978: 207) describes a dual process produced during the XX Century of widening the scope of economics and narrowing the concept of human rationality when he speaks about two tendencies currently at work in economics:

The first consists of an enlargement of the scope of economist's interests so far as subject matter is concerned. The second is a narrowing of professional interest to more formal, technical, commonly mathematical, analysis. This more formal analysis tends to have a greater generality. It may say less, or leave much unsaid, about the economic system, but, because of its generality, the analysis becomes applicable to all social systems (...) economics becomes the study of all purposive human behavior and its scope is, therefore, coterminous with all of the social sciences.

We can identify two problems stemming from this new view. First, it leads to an incomplete analysis of economic affairs. Instrumental maximizing rationality is not the only rationality guiding decisions and actions concerning the economic domain. It does not necessarily preclude irrational (from the point of view of this restricted notion of rational) behavior –passions, emotions, values, traditions and habits. In response to this reality, modern day economics is trying to insert non-strictly rational motives into its formal frame, considering Weberian value-rational, affectual and traditional reasons as forms of instrumental rationality. The argument for this conflation, developed by Mises ([1933] 1960: 82-85), confuses and reduces ends to means: instrumental rationality is a rationality of means while the others are focused on ends.¹ In another paper I explained at length the structural differences between instrumental rationality and other kinds of ends-rationalities (see xxx 2007). In a few words, ends are not homogeneous and consistent, but rather heterogeneous and often inconsistent. As Nicholas Georgescu-Roegen (1954: 515) asserts “not all human wants can be reduced to a common basis.” The correct strategy for a rationality of ends is not maximization but

¹ Referring to Gary Becker's research project, Irene van Staveren maintains that he “turns moral values into an instrument for utility maximization, thereby destroying the very meaning of moral value” (2007: 146).

a harmonization of ends. This strategy makes formalization difficult: according to David Schmidtz (1994: 246, 251) it is not an algorithmic process. George Akerlof complains about this first problem:

The unwritten rules that only *economic phenomena* be considered in economic models, with agents as individualistic, selfish maximizers, restrict the range of economic theory and in some cases even cause the economics profession to appear peculiarly absurd—because, without relaxation of these rules, certain *almost indisputable* economic facts (...) become inconsistent with economic theory (...). Individualistic maximizing behavior constitutes an assumption that sharply restricts the domain of possible economic models. It is an assumption that turns out to be surprisingly restrictive (1984: 2, cursive in the original).

Thus maximization is only a part of economic rationality. There may be considerations that even go against maximizing.² Akerlof then maintains that we should consider the consequences of psychological-anthropological-sociological behaviors for economic results (cf. 1984: 3).

The second problem noted by Coase is that this view of economics also leads to an incomplete and confusing analysis of other social affairs. According to him, the motivations that move men in other areas of social life are quite different from economic motivations. If the logic of maximization is not enough to explain the facts of the economic domain, it is even less suitable for other social domains: “the analysis developed in economics is not likely to be successfully applied in other subjects without major modifications” (Coase 1978: 209). This had been warned by Robert Scaon at the very birth of Robbins’ view of economics (1943: 311).

² Maximization (and utility and value), however, are also concepts that have been transformed under the umbrella of the new version of economics.

Then, far from trying to export and apply the maximizing instrumental rationality to other social sciences, the conclusion is that economists should try to import the other rationalities, “because it is necessary if they are to understand the working of the economic system itself” (Coase 1978: 210). This is especially relevant for the descriptive, explanatory and predictive tasks of economics. If economics wants to deal with the economic domain it should deal with both kinds of economic phenomena, “economically” (following the maximizing logic) and “non-economically” performed: that is, it should consider those phenomena from the point of view of instrumental maximizing rationality complemented and corrected when this is needed by other rational perspectives. If not, it would not describe economic affairs accurately, explain them by the real acting causes, and predict them with some precision. On the other hand, economics, in its normative (not necessarily ethic) role should probably propose to act economically: this might be the most relevant input that the decider receives from economics.

3. Practical Reason in the Human Development Index (HDI)

This Section’s objective is to demonstrate the presence of practical rationality and values in the HDI –as an example of an economic instrument– stressing the need to put these values on the table. An established process for achieving practical reasoning about values becomes crucial.

In 1990, the United Nations Development Program (UNDP) published its first annual *Human Development Report (HDR)* introducing the HDI. This Index was inspired in Sen’s capability approach, which emphasizes the importance of ends (capabilities) over means (e.g., income). The HDI adopted *measurands* for three specific capabilities: health, education, and a decent standard of life. The *measurands* are life expectancy, literacy and school enrollment, and income, respectively. They are combined into the Index to evaluate the level of human development defined in this way across

countries or to monitor them over time. Despite its recognized “vulgarity”,³ the HDI provides a better alternative for evaluating a country’s development than doing so per capita national income. Heavily based on the CA, the HDI’s project leader Mahbub ul Haq intended to use the HDI to define a new concept of well-being and to produce available measures of well-being based on that conception. Sen, who was one of the principal consultants on *HDR 1990*, at first did not see the point of a crude composite index like the HDI. Haq instead maintained: “We need a measure of the same level of vulgarity as GNP –just one number– but a measure that is not as blind to social aspects of human lives as GNP is” (UNDP 1999: 23). More recently Sen (2009: 226) has agreed:

The motivations behind the ‘human development approach’, pioneered by Mahbub ul Haq, a visionary economist from Pakistan who died in 1998 (whom I had the privilege to have as a close friend from our students days), is to move from the means-based perspective of the gross national product (GNP) to concentrating, to the extent that the available international data would allow, on aspects of human lives themselves.

The HDI has evolved over the years with efforts to improve its quality and capacity for representing real human development. This refinement stems from the need to answer different external criticisms of the index and on the UNDP’s initiative to improve it. In this sense it is important to consider the 2010 *Human Development Report*. In the Introduction to the report, Amartya Sen maintains that, despite being a “crude” index, the HDI did what it was expected to do: to go beyond commodities and income in the evaluation of development. He adds that “new tables continue to appear in the steady stream of Human Development Reports, and new indices have been devised

³ Cf. UNDP, 1999, 23 and Richard Jolly, 2005, 126.

to supplement the HDI and enrich our evaluation” (UNDP 2010: vi). I will remark on some of these improvements in the next section. Now, I will note some problems related to index numbers and the HDI.⁴

The HDI is filled with deep-rooted assumptions that are both technical and practical in nature. This raises the question whether or not they are sufficiently elucidated or disputed by theoretical, technical and practical reasons. Theoretical reason is indispensable in order to designate the terms involved in the HDI, technical reason is essential to decode its technical problems, and practical reason to show sufficient grounds for practical decisions while estimating the impact of those technical solutions on the values concurrently.

In particular, limitations with index numbers that stem from being composed of heterogeneous variables emerge. Here, a transformation of different values of variables of different categories (for instance comfort, velocity and security) into a dimensionless index (with values from 0 to 1) takes place in order to obtain a ranking –as for example, of the attractiveness of cars. First, the ratio among the values assigned to each category and their extreme values are calculated, and then the average of the ratios collected is calculated. Now, we do not have a *measurand* of comfort, km/h and a *measurand* of security, but “naked” numbers that may be added and that purportedly symbolize the attractiveness of cars. However, there are many presuppositions that cause one realizing that this is a highly conventional rank.⁵ Adopting a conventional unit for each incommensurable variable makes what is incommensurable commensurable. To do this, the value of the variables according to these units is calculated and then a weighted proportion of the values of these variables is added (Boumans 2001: 326 and Morgan 2001: 240). In other words, we are

⁴ For a review of this criticisms, see Elizabeth Stanton (2007: 16-28) and Izete Bagolin and Flavio Comim (2008: 17-22).

⁵ They are non-additive qualities: see, e. g., Cohen and Nagle (1934: 296).

accepting *inter alia* the assignment of weights for each variable indicated in the index formula. It is imperative that the weight be the “due” weight (Morgan 2001: 240). However, this is not a simple task when the weighted categories are qualitatively different (see Banzhaf 2001). This exercise is actually quite useful, but we are all conscious that little changes in the composition of the index might drastically change the results of the ranking. This capacity to manage index numbers might become a manipulation. The way of avoiding it is to clearly show the decisions made together with their arguments. This explicitly shows how the technical aspects are intermingled with judgmental practical aspects: beliefs and values affect technical decisions. Morgenstern, for example, after expressing his concern about the accuracy of data, considers technical problems, but he also recognizes “that we are here confronted with a political as well as an economic problem” (1963: 192).

As Sen has asserted, capabilities are incommensurable. Incommensurability is typically found in the practical realm. An ordinal ranking by comparison of incommensurable categories may be obtained, however a numerical ratio among the components will be merely an inexact way of illustrating the ranking.⁶ Income, longevity and literacy may not be commensurated because they are measured by different units. Comparisons and rankings may only be made for a specific circumstance. A simple example, for instance, is that for this country today it is more fitting to increase its income than to place energy into education; or instead that, having reached a set level of income, the most pertinent action is to increase education. On the basis of a comparison, the HDI decides a unique rank that has bearing on any country, time and situation and assigns numbers in order for results to be achieved and the corresponding variables commensurated. In the case of the HDI, one third is allotted to each variable. In actuality we are implementing a ratio on an ordinal

⁶ Scales of measurement in the social and behavioral sciences are nominal or ordinal (Finkelstein 1982: 26).

category (see Boumans and Davis 2009: 152; Finkelstein 1982: 19). Although it can be achieved, the result cannot be recognized as an exact number, but rather as a mere general indication that is based primarily on the weights allocated to each variable. As the first HD Report contends, “The index is an approximation for capturing the many dimensions of human choices. It also carries some of the same shortcomings as income measures” (UNDP 1990: 1). This is also posited by Sen who speaks of the HDI as a “measure with the same level of crudeness as the GNP” (1999: 318, nt. 41).

Ludwik Finkelstein (1982: 11) also remarked on the possible danger: “that once a scale of measurement is established for a quality, the concept of the quality is altered to coincide with the scale of measurement.” In other words, for instance, that we arrive at the conclusion that development consists of a combination of longevity, literacy and income, which is a scant concept of development.

Additional shortfalls with the Index Numbers include other technical problems and are associated with the exactness and homogeneity of data. Recently Wolff, Chong and Auffhammer (2011) have held that, due to data error, 34% of the countries are misclassified in the HDI. The need of simplicity may go against realism. However, we cannot argue against using index numbers from these problems because they could be overcome.

Despite the fact that the limitations of the HDI have been acknowledged, the Index has been upheld on practical grounds. Anand and Sen (1994: 2) concede that information is lost when using an aggregate number (a “scalar”) for a set of numbers representing individual circumstances (a “vector”). Likewise, they (2000) assert that the domain of the Human Development Report has greater scope than what is captured by the HDI. Undoubtedly, the three variables selected do not comprise the only three. Nonetheless, as more variables are included, their significance will decrease. Then, “the income component of the HDI has been used as an indirect indicator of some capabilities not well reflected, directly or indirectly, in the measures of longevity and education”

(2000: 86; see also 99 and 100). In spite of the above-mentioned limitations, the HDI is a laudable task. Paul Streeten (1994: 235) expressed this effectively:

It is clear that the concept of human development is much deeper and richer than what can be caught in *any* index or set of indicators. This is also true of other indicators. But, it might be asked, why try to catch a vector in a single number? Yet, such indexes are useful in focusing attention and simplifying the problem. They have a stronger impact on the mind and draw public attention more powerfully than a long list of many indicators combined with a qualitative discussion. They are eye-catching.

Or rather, the primary objective of the HDI is practical. From this point on, the HDI has to be regarded as an orientation that has to be handled prudently, and perfected through technical improvements, theoretical and practical reasons. In order to detect the fields which need improvement, the policy maker should go beyond the simple index and analyze its components.

My main claim is that the theoretical definitions and practical decisions supposed in the HDI might not be adequately explicit or argued. Furthermore, I posit that a better definition of concepts and practical arguments is needed in order to enhance the quality of the Index, and in the interest of “fairer play”.⁷ Now the question remains: what are these theoretical definitions and practical decisions?

The choice of the capabilities –education, health and a decent standard of life– and the corresponding measurable variables –life expectancy, literacy and income (as a proxy of the other capabilities) constitutes the first practical decision. Although thus comes across as a sensible

⁷ These theoretical and practical insights are part of the “outside criteria” needed to operationalize a theory of well-being, as noted by Makiko Harrison (2002: 37).

decision, the argument for this decision is not developed in the Human Development Reports. In order to be taken into account when building the Index, pragmatic reasons indicate that a decision has to be made about the variables. This decision might not be optimum: As Sabina Alkire (Alkire 2002: 77) affirms, a “heroic specification is required.” Notwithstanding, she also remarks that “[i]n the spirit of the capability approach the assumptions on the basis for which this specification takes place should be collaborative, visible, defensible, and revisable” (Alkire, *ibid.*). In other words, a process of decision must be instituted. If this is not done, we are making an under-illustrated practical decision: a practical decision without practical science.

Assigning an equal weight to the three variables comprises the second practical decision. Despite the fact that this also sounds reasonable, it is not argued. The only reference to this is the utterance that all three of the HDI components are equally important and that thus deserve equal weight (UNDP 1991: 88). For instance, people from a strong religious culture, however, may consider that education or income, and even longevity, are not so relevant; and that they value religious faith –which cannot be bought– over the other variables. They may view the Index as Eurocentric. It is not a good practice to make practical decisions without justifying them. We could be accused of being ideological if values are not rationally found and established. The HDR has explicitly declared in its first Report that its stance “is practical and pragmatic (...). Its purpose is neither to preach nor to recommend any particular model of development” (UNDP 1990: iii). Still, the HDR continuously uses the verbs “should” and “must”: values are then making their way through a back door. The way to resolve this is to reason and make a decision about them.

There exists a trade-off between the idiosyncratic and individual nature of capabilities and the establishment of a common index based on common values. In other words, there is a trade-off between accuracy and universality-operativeness. There must exist, beyond question, a proceeding for reaching an agreement among reasonable people regarding the content of the “heroic

specification". As Flavio Comim (2008: 164) contends, we need to establish "procedures for solving the trade-offs, conflicts and inconsistencies between different options." We need to discern how, when and who should intervene in the process of acceptance or rejection of values: philosophers, economists, politicians of different colors and countries, general public. These proceedings should be unfluctuating, or at least the criteria for their change must be stable.

I am conscious of the obstacles involved in this claim. Nonetheless, even though it is not an easy task, it is imperative that we look for a *reasoned* consensus about values. It is not only or always a matter of voting. Previous research and development of theory is typically needed in the majority of cases. Since values are involved we must place them over the table; if not, they will always be reasons for criticism and disconformities. As Sen (1999: 80) affirms, "the implicit values have to be made more explicit." There is also an urgency to get some form of a measurement that guarantees an accurate measure of the observable variables. Moreover, a great deal of improvement remains concerning the quality of data.

The economist must intervene in all the processes: the definition of factors and of their weights, the construction of the Index, and the solution to their problems related with the accuracy of calculus and data. If not, they are mere technicians at the service of others' ideas. These processes should be the task of an interdisciplinary team of individuals especially apt for this type of dialogue. In the next Section I will show that this very process has gained increasing momentum in the last Human Development Reports.

4. The increasing role of practical reason in the *Human Development Reports*

Some of the shortcomings of the HDI pointed out in the last Section were overcome by changes introduced in the 2010 Human Development Report. The relevant innovations brought forth by this last report are contained in two new indexes and in a small modification of the HDI:

i. The Inequality-adjusted Human Development Index (IHDI). The lack of consideration of inequalities is considered to be one of the HDI serious defects. This new Index remedies this defect. As the Report asserts, “the HDI can be viewed as an index of “potential” human development (or the maximum level of HDI) that could be achieved if there was no inequality) while the IHDI is the actual level of human development (accounting for inequality). The difference between the HDI and the IDHI measures the “loss” in potential human development due to inequality” (UNDP 2010: 87, see also 217). It is indeed interesting to analyze these losses and their differences among countries and dimensions.

ii. The Multidimensional Poverty Index (MPI). This index takes into account multiple deprivations at the individual level in the same dimensions of the HDI: health, education and standard of living. The data for this index come from household surveys. The MPI establishes thresholds for the three dimensions, introducing new indicators. It combines the multidimensional headcount ratio (the proportion of the analyzed population that is under the threshold) and the intensity or breadth of poverty (the proportion of indicators in which the population is deprived). “The basic intuition is that the MPI represents the share of the population that is multi-dimensionally poor, adjusted by the intensity of the deprivations suffered” (UNDP 2010: 222).

This index uses Nutrition and child mortality as indicators of health, years of schooling, and children enrolled as indicators of education and a series of access to services and assets (cooking fuel, toilet, water, electricity, floor, etc.) as criteria for determining the threshold for the standard of living.

The Human Development Research Paper 2010/11 expands upon the reasons for choosing the new indicators and their weights. Concerning dimensions, it asserts (Alkire and Santos 2010: 9-10) that the selection of the 2010 HDR dimensions has relied on: a. the literature arising from *participatory exercises*, b. the use of some *enduring consensus*, particularly surrounding human

rights and the Millennium Development Goals (MDGs), c. *theory based*, as in the many philosophical or psychological accounts of basic needs, universal values, human rights, and d. the binding constraint is *whether the data exist*.

First, it is clear that this Research Paper assumes that values are involved in the selection of the dimensions. Second, the procedures for the selection are typical of practical science. In the same vein, on the basis of ‘reasoned consensus’, the paper sufficiently argues for the selection of indicators and the determination of weights. The procedures are participatory processes, expert opinions informed by public debate and survey questions. It explicitly asserts that “the relative weights on different capabilities or dimensions that are used in society-wide measures are value judgments” (Alkire and Santos 2010: 16). This initiative succeeds in responding to some of the critiques and suggestions raised in Section 3.

iii. Within the traditional HDI specification, a change to the dimension “education”, now called “knowledge”, has been introduced. Instead of literacy and enrollment as the indicators, it uses the mean and the expected years of schooling. This seems to be closer to the actual situation of education because it implicitly considers the possibility of students’ dropping out.

All of the improvements in the Indexes presented in the HDRs entail a greater use of theoretical reason in the definition of concepts and of practical reason in the value-based decisions involved in their construction.

5. A Short Conclusion

The conclusion of this paper points to a promising future when it comes to the acknowledgement of the role of practical reason because the relevant institutions are conscious of the need of improving the indicators and they are working in this line.

This is good news, but it is not enough. The Report recognizes it (UNDP 2010: 118):

fully realizing the human development agenda requires going much further. Putting people at the centre of development is more than an intellectual exercise —it means making progress equitable and broad-based, enabling people to become active participants in change and ensuring that achievements are not attained at the expense of future generations. Meeting these challenges is not only possible but necessary — and more urgent than ever.

This sense of urgency reinforces my optimistic view about the future of economics.

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