

## Vulnerable due to hope: aspiration paradox as a cross-cultural concern

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### Abstract

Vulnerability concerns sensitivity to shock, or the inability of an individual to rally in the face of setbacks. It pertains, in its most familiar use, to health, to health-related emergencies (such as epidemics) and to health-related social and environmental conditions (such as famines and climate change). This presentation considers economic vulnerability, exploring the risk of deprivation of necessary resources due to a complex and rarely discussed vulnerability that arises from hope. Pierre Bourdieu’s sociological account of French petit-bourgeois aspiration in *The Social Structures of the Economy* has recently inspired Wendy Olsen to introduce the term “aspiration paradox” to characterize cases wherein “a borrower’s status aspirations may contribute to a situation in which their borrowings exceed their capacity to repay,” leaving the individual much the worse, due to an aspiration to betterment.

The overextended homebuyer, the family that takes vacations on credit, and the entrepreneur who strives, fails, and falls back into worse circumstances are three examples of failed aspiration noted in Bourdieu’s observations of the French middle class. Olsen extends Bourdieu’s discussion to a detailed case study among poor women of rural India, displaying the significant hazards that accompany “cow loans,” which are loans for livestock that may or may not lead to improvement in women’s self-esteem, status, financial position and financial stability. For this presentation I add two of my own cases to the survey of aspirational vulnerability: vulnerability that attends microcredit lending generally, most notably in India, and vulnerability in the context of payday loans and credit cards, particularly in USA. If such financial opportunities were not made available to these people – if some were denied loans due to a careful assessment of their vulnerability – would they be better off? We should seriously consider that they might be.

Addressing the paradox of aspiration for just social planning and for just development may require us, first, to distinguish factors within an analysis of aspiration. The antecedent attractions of aspiration are distinguishable from the advantages that come as a result of aspiration, and we may also consider the risks (the vulnerability) that attend the latter. To accompany this analysis, second, we must consider separately the place of

individual self-determination within just social arrangements, in cases in which self-determination leads to poor outcomes. Familiar philosophical discussions of adaptive preference touch on related concerns regarding the relation of individuals' agency to other aspects of their flourishing.

I will hazard the straightforwardly paternalistic suggestion that limiting access to lending to those who are vulnerable to their aspirations can be a just policy. Because aspiration paradox is a cross-cultural phenomenon, and because lending frequently involves asymmetries in mathematical education between borrowers and lenders, I hope to elude at least some of the charges of colonialism that have gained a stronger purchase on adaptive preference arguments.

## **0. Introduction**

My focus is vulnerability, which concerns “individual susceptibility,”<sup>1</sup> insecurity, sensitivity to shock, or the inability of an individual to rally in the face of setbacks. It pertains, in its most familiar use, to health, to health-related emergencies (such as epidemics) and to health-related social and environmental conditions (such as famines and climate change). I take its opposite to be resilience: a concept that may differ from robustness, or stability.

Vulnerability is a much-used term in health care and in social studies of development. But it is only lightly used in philosophy; its use is nevertheless on the rise. It was perhaps introduced into late 20<sup>th</sup> century development ethics by Denis Goulet, in part of an interesting and radical theory of human development, but I think its rise is more clearly traced to broader philosophical currents in ethics. It has found its way into current discussion through the ethic of care; and in Judith Butler's term “precarity,” which might be taken as a synonym of vulnerability. Today, alas, I

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<sup>1</sup> 2008, Springer, Encyclopedia of public health: Individual Susceptibility Definition “Individual susceptibility is diversity in responsiveness among individuals to occupational and environmental exposures. It makes it difficult to determine actual risks, particularly at the low levels to which most people are exposed. The individual susceptibility is largely determined by genetic factors, which are very complex in nature. For example the toxicity of a number environmental and workplace chemicals is determined by a complicated balance of its toxicity and metabolic bio-transformation. These processes are largely influenced by individual genetic factors, which are crucial in individual susceptibility. So, effects of exposure to a certain chemical are related to its toxic effects, intensity of exposure and individual susceptibility.”

don't have the time available to visit these theorists much further: this presentation won't be a thick accounting of vulnerability.

My broadest reason for focusing upon vulnerability – a claim that I also won't articulate further today – is that consideration of the concept might promote different intuitions that the terms used more frequently in egalitarian and Kantian ethical theory cannot. I suggest that vulnerability is a particular, ethically salient marker of what Thomas Nagel calls “the distinction between persons”: it characterizes a feature of differences between persons (or, of persons in transient states...) that we would wish to take account of, one that is distinct from equality of persons and respect of persons. We need to take account of what people need, and this is different from treating them equally. Vulnerability presents one important aspect of need that requires attention in ethics.

Arguing such a claim would exceed the short time available; so I will zero in on a particular, unusual variety of vulnerability that might be illustrative; one that I think has surprising and far-reaching relevance for ethical discussion – linking it to the vexed concept of adaptive preference, for example. The species of vulnerability I will highlight is the vulnerability that accompanies hope for improvement; the variety of this species will be economic. I will explore the risk of deprivation of necessary resources; a deprivation that arises due to hope. We hazard burdens and risks to produce better lives in the long run; but risks may not ultimately pay off, and may not turn out well for us. Aspirations may set us back. Wendy Olsen, a development sociologist, introduced the neat term “aspiration paradox” to characterize such cases. In her words, “a borrower's status aspirations may contribute to a situation in which their borrowings exceed their capacity to repay,” leaving the individual much the worse, due to an aspiration to betterment.

Passing from sociology to ethics and policy, this leads to the question: should sensible people be encouraged, or even allowed, to hazard all the risks, and so the vulnerability, that they think prudent? (I expect that many of you can already see, with that question, the link to discussions of adaptive preference.)

## 1. Aspiration paradox

In “Aspiration Paradox in Indian Microfinance,” Wendy Olsen explores women’s self-help groups in Andhra Pradesh, India, and she particularly focuses upon the efforts by many rural women to purchase and keep a \$200 cow, through installment lending.<sup>2</sup> A standard lending support for this venture, called a “cow loan,” has become readily available in some villages through the efforts of nonprofits and government. These loans can and regularly do lead the families of the women, already low in income, to significant financial loss. The cow itself, which may not survive the loan period, at best generates a stream of income at about the same level as the cost of keeping that same cow during the nearly two year period of repayment for a cow loan. If the risk is surpassed and the cow survives, it is likely to be ‘budget neutral’ during the repayment period, and a good value thereafter. But of course financial value should not be considered the only relevant value, in this case: it is clear that the process of gaining and paying back such loans produces self-esteem and community esteem, and the cow loan scheme is seen as of great value for personal development and social improvement for women in society.

But there is more to consider on the economic and social fronts. For the woman raising the cow, roughly ten days per month that might have been spent earning cash through labor is occupied in tending the cow. In some areas, local overgrazing and increased water demand for cattle also leads to environmental degradation for the greater community. The group interactions and self-education that accompany and support these cow loans within the womens’ Self Help Group organizations that distribute the loans are considerable, well-documented rewards that women discover. We and they may hope that this will also provide improvement in women’s status over the generations. But, Olsen argues, frantic re-

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<sup>2</sup> Wendy Olsen, “Aspiration Paradox in Indian Micro-Finance: A Difficulty and an Opportunity for Debate,” University of Manchester Brooks World Poverty Institute, BWPI Working Paper 42, 2008 2-5. <http://www.bwpi.manchester.ac.uk/resources/Working-Papers/bwpi-wp-4208.pdf>. And see Jamie Morgan & Wendy Olsen, “Aspiration Problems for the Indian Rural Poor: Research on self-help groups and micro-finance,” *Capital and Class* 35(2) 2011, 189-212.

borrowing to pay the demanding loans and increased suffering for the woman and her family frequently accompany these rewards.

Olson has not completed sufficient survey work that might lead her to conclude that her “suspicion of a problem” with the loans is in fact a serious problem: family finances are difficult to study so carefully, and she did not document failures to repay loans. Is the increase in vulnerability worth it? In Sen’s language, does the institution of cow loans serve for “expanding the freedoms we have reason to value,” or is it a paradoxical aspiration, one that is desirable, yet all too likely to produce more bad than good? I am not about to make the mistake of suggesting that it is, or that it is not; that the aspiration to a cow loan is or is not really problematic, overall. I am not highly familiar with the case, and I am not an expert in measuring capabilities and environmental impacts. I am too familiar with the thorny issue of colonial attitudes, and I am too much the skeptic to be tempted to reach an answer, myself. But I suggest that this is an example that helps us to consider the possibility that reasonable people can aspire to what isn’t good for them. And, I think I have a good idea of an important root of the problem, if there is a problem.

## **2. The landscape of lending**

I think I see a similar problem, a possible paradoxical choice for improvement, in the uptake of microcredit by the poor, when lending conditions are not advantageous. Another such case is the rise of for-profit microfinance in India, in which the lending conditions are tuned by market forces, and tuned less in favor of the borrower than in the past, so that the *lender* might endeavor to do well financially as well as socially. And lending in USA through the mechanism of payday loans presents similar concerns. The recent history of the uptake of mortgages in the US markets is also similar. In each of these lending cases that I will not discuss in detail here, more clearly than in the case of cow loans, many people are very likely to get what they bargained for, but not what they expected. And this is because they

did not really know what to expect: instead, they got less than expected, and their vulnerability is realized as a dramatic decrease in living standards.

Do people understand what they aspire to, in finance? I will switch away from Olson's example, now, to consider one closer to my home: U.S. perceptions of wealth, and American understanding of the finance of mortgages. Thomas Diprete has studied the results of a 2005 Gallup poll of United States opinion.<sup>3</sup> The survey straightforwardly indicates that over 50% of Americans age 18-29 believe that they will, at some point in their lives "be rich." Diprete teases out what they mean by 'rich': he expects that they hold it corresponds very roughly to a household income of about \$120,000 per annum, which represented about the top 10% of income at that time, as it does now. While it is possible to fit 50% of people into that bracket for a brief portion of their lives, so that people 'take turns' at being rich, I think it's reasonable to say both that that is not how it works – there is not so very much mobility in the U.S. system, I could show you this -- and taking turns is not what the young adults intended to suggest, anyway: they aspired, and expected, to become rich, and probably, to stay there. Many other surveys point to a complexly structured, but very robust, mistaken belief in opportunity for young and old.

Those are aspirations; consider also the results of our aspirations. Recent experiences with credit in the housing market of the United States strongly suggest that a great proportion of the population whose finances indicate middle class status show limited ability at successfully managing financial risk under the lending conditions that prevail there. Careful surveys show that they do not understand what "compound interest" actually entails, for example. And a good proportion of households are quite vulnerable to the demands imposed by emergencies: One credible survey indicates that half of all American adults would agree that they definitely or probably could not come up with \$2,000 to meet an emergency within

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<sup>3</sup> Thomas Diprete, "Is This a Great Country? Upward Mobility and the Chance for Riches in Contemporary America," *Research in Social Stratification and Mobility* 25 2007 89-95.

the space of a month.<sup>4</sup> This is the precarious space in which even the middle classes live, in one of the wealthiest of nations, facing financial tides that they cannot predict, with an optimism that isn't borne out by the evidence. And, by the way, they also don't realize their ignorance: when asked to rate their confidence regarding their grasp of finance, they will express high confidence, and they will estimate that they are clearer about it than their neighbors, generally – so, not only do they not know, they don't know that they don't know.

### 3. Adaptive preference

At this point, perhaps my voice sounds rather paternalistic as an American, or neo-colonial, as a development ethicist. I may be taken to be suggesting that I, armed with the work of economists, understand these people's situations better than they themselves do. I haven't quite argued that. But their own choices, when seen in the aggregate of populations of people like them, are likely to harm them, or constrain flourishing. I am suggesting I can see something about them that they themselves can't. I am arguing that they cannot pass the tests that *I* see as relevant for appropriate, or rational, choice. And I would argue that it is not necessary for me to make those reasons *their own* reasons as well, for a concern like mine to be promoted legitimately in public policy. I would make claims on behalf of expertise that could infringe upon individual freedom.

The terrain I am entering here has clear resemblance to that in which we find the development ethicist who argues that some widely and firmly held subjective preferences and aspirations are not worth having. Martha Nussbaum directly challenges the individual's preferences: she writes, "embraced as a normative position, subjective welfarism makes it impossible to conduct a radical critique of unjust conditions." (Women and Human Development, 117) She argues for

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<sup>4</sup> Annamaria Lusardi, Peter Tufano. "Debt Literacy, Financial Experiences, and Overindebtedness," National Bureau of Economic Research Working Paper No. 14808 (March 2009). Available at: <http://www.nber.org/papers/w14808>. Annamaria Lusardi, Daniel Schneider and Peter Tufano, "Financially Fragile Households: Evidence and Implications," National Bureau of Economic Research Working Paper No. 17072 (March 2011). Available at: <http://www.nber.org/papers/w17072>.

tempering individual choice with a re-assertion of regard for development in social policy. In one example, she notes that women in impoverished circumstances who have the charge of their children's care may have to choose concerning which of two children to send to school, or to educate the furthest. In many societies, the women will routinely choose sons over daughters. Nussbaum proposed an explanation for this, and in 1999 she laid it down to women "internaliz[ing] their second-class status and not striv[ing] for what is out of reach." They have adapted their preferences to unjust circumstances, she argues, and they are re-imposing those circumstances on their daughters. And so, she finds, "we have good reasons...to support public investment in female literacy, even in the absence of young girls' demand for such programs." (Nussbaum, *Sex and Social Justice* 1999, 151)

Put too crudely: the women know what they want, but Nussbaum knows what they need; or at least, an element of what they need, for development and justice. Otherwise, women's own preferences may "internalize" and perpetuate the conditions of their own oppression. Critics, such as Alison Jaggar and Uma Narayan, have replied that Nussbaum produces a reconfigured colonial perspective, perpetuating the tendency to see poor women as unthinking victims of patriarchal cultures.

Does my discussion hazard similar dangers? Certainly. But with respect to most of the cases that I have noted, I think the charge of colonialism can be effectively deflected, by steering away from psychological explanation of preferences, and towards the details vis a vis justice for the social situation. So, on to my closing deflection.

Vulnerability, like dependence and care, is very much constructed within a social context. Some vulnerabilities are rather robust across widely varied social contexts – for a simple example, babies will die when not attended to, for whatever social reasons there are that lead to them being neglected. Other vulnerabilities, by contrast, are very sensitive to such context: Babies will be fed perhaps too little clean milk in some circumstances, but they won't as frequently die from drinking



polluted water, if their parents aren't encouraged by authority figures in lab coats to buy nutritious baby formula.

Some troubling aspects of financial decision are also robust across varied contexts. Perhaps the tendency of U.S. residents to see theirs as a land of opportunity is evidence of one such case. But much that is troubling about financial decision in the cases I have reviewed here is very sensitive to context. These choices are built into a particular social context of contracting individuals, some of whom know the business of finance far more thoroughly than others. The landscape of lending, for all these cases, with the possible exception of the cow loans, is inhabited by wolves and sheep. It's not that the sheep don't know what's good for them; they simply aren't sufficiently aware of the presence of wolves, and they can't be expected to be aware, either.

These sheep, as I have characterized them, are not fools: the poor of the globe are adept at maintaining complex financial arrangements, and their finances have never been simple. To manage their businesses, save money for various purposes along varied time scales, and to ensure funds for emergency, they themselves have devised a broad variety of strategies across the globe that economists have noted. Lending circles and lottery groups have been found to be indigenous economic systems that have long worked for the people's benefit.<sup>5</sup> But human psychological bias, naïveté, and exploitation are also features that can be found in the landscape of lending. Those who are naïve in particular financial practices are at a disadvantage. If the practices are carefully designed to capture their attention but only partially to address their needs, then those who have dedicated their time and education to designing such attractive lending offers are at an advantage.

How do I avoid charges of paternalism, then, if I will not straightforwardly deny that people may not know what is good for them? First, where practical, avoid the trap of psychological theorizing, avoiding the psychological *explanation* that

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<sup>5</sup> See Daryl Collins, Jonathan Morduch, Stuart Rutherford and Orlanda Ruthven, *Portfolios of the Poor* (Princeton, N.J.: Princeton, 2009); Abhijit K. Banerjee and Esther Duflo, *Poor Economics* (New York: Public Affairs, 2011).

enmires Nussbaum's *justification*. Much is gained by providing the ethical justification for criticism of people's choices simply by relying on other ethical materials that are readily at hand.

In this case, a relational vulnerability that results from a differential in education – for example, in finance specialists attempting to sell unfamiliar products to those less educated – this is not a case in which ignorance is the most ethically salient characteristic. Rather, this is a case of exploitation. Restricting access to borrowing may be appropriately justified within a society due to paternalistic concerns (we don't want people getting in over their heads). But the ethical justification for restriction in these cases – perhaps with the exception of the cow loans – is based not on paternalism, but rather, on duties to protect against exploitation. Nussbaum also is on her firmest ground, I think, when she most clearly separates the psychological explanation for dubious choices from the ethical ground for the justification of criticism of that behavior.

The criticism in this case, then, is of the ethics of the lender and the permissiveness of the social order, which allows exploitation to take place. I need not know what the borrower needs, I need only know that the lender is setting people up for a fall. The ethical criticism is not of their choice, actually, it is of the lender, and of a society that does not provide opportunities to borrow or save that do not so seriously increase vulnerability.

Mal-designed opportunities yield vulnerability; other opportunities may yield freedom. Borrowers go to loan sharks and see their debt double once a month, when no better option is available. They go to American payday lenders and see their debt double every 4 months, when no better option is available. For some of these cases, we need not broach the subject of paternalism in policy choices that deny poor opportunities to the poor, if people instead have access to more appropriate options, both suited to their understanding and absent exploitation.

But exploitation is not the root concern for all such cases: the cow loans continue to trouble me.