

# The Theory of the Individual in Economics

Identity and value

John B. Davis



Advances in social economics

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# The Theory of the Individual in Economics

The concept of the individual is central to the understanding of behavior in economics. Different approaches in economics implicitly rely on different theories of the individual. Yet economics is guilty of using this very important concept without questioning how it is theorized. This superb book remedies this oversight.

The new approach put forward by John B. Davis employs identity analysis to understand theories of the individual in economics. It combines philosophy and economics to determine when theories of the individual are successful. With both heterodox and orthodox economics receiving a thorough analysis, this book is at once inclusive and systematic.

Davis has produced a startlingly original book that should become essential reading for all those interested in the study of economic philosophy and methodology, but will also be of great interest to philosophers and social scientists outside economics.

**John B. Davis** is Professor of History and Philosophy of Economics at the University of Amsterdam, the Netherlands, and Professor of Economics at Marquette University, Milwaukee, USA.

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## For Bryan Davis

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# Preface and acknowledgments

This book is a product of my longstanding interest in the nature of the individual in economics. Its subject matter lies at the intersection of philosophy, economics, and the history of economics, and perhaps for that reason the book will be thought to involve a highly specialized sort of discussion. However, throughout my work on this subject I have been motivated by the belief that not only the topic of the individual in economics does have a wider importance but also that this topic has been relatively neglected. Thus, I hope that readers will approach what follows in a spirit like my own, and that this will help generate interest in the book's issues, arguments, and conclusions.

I am indebted to many people for comment upon my work in its various stages over a number of years, but I particularly appreciate the assistance of Wilfred Dolfsma, Zohreh Emami, Nancy Folbre, Philippe Fontaine, Edward Fullbrook, Wade Hands, Geoff Harcourt, Shaun Hargreaves Heap, John Henry, Geoff Hodgson, Tony Lawson, Paul Lewis, Mark Lutz, Uskali Mäki, Robert McMaster, Lance Minkler, Phil Mirowski, Philippe Mongin, Leon Montes, Phil O'Hara, Steve Pressman, Geert Reuten, Jochen Runde, Malcolm Rutherford, Warren Samuels, Esther-Mirjam Sent, Alex Viskovatoff, and Jack Vromen. I have also benefited from individuals I cannot name, including anonymous referees of my work, who in some instances have been very helpful, and participants at various seminars and conferences at which I have made presentations. I also thank my students from Spring 2001 at the Erasmus Institute for Philosophy and Economics, where parts of this book were presented. I am very grateful to Marquette University for research support and to members of the Marquette Department of Economics for collegial support. I also thank Robert Langham and Alan Jarvis at Routledge and Alison Kirk formerly of Routledge for supporting this book and for support generally for the *Review of Social Economy* and social economics. Thanks also to Leila Davis for editorial assistance. In parts of this book I have adapted material previously published in *Cambridge Journal of Economics*, *Journal of Economic Methodology*, *Review of Political Economy*, *The Economic World View* edited by Uskali Mäki, and *Intersubjectivity in Economics* edited by Edward Fullbrook. Finally, most thanks of all to Zohreh.

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# 1 Framing the issues

[T]he real self is “extensionless”; it is nowhere but in this power to fix things as objects.

(Taylor 1989: 172)

No entity without identity.

(Quine 1969: 23)

This is a book about our understanding of the individual in economics. The concept of the individual is one of the most fundamental in contemporary society. It may even be the most fundamental of all our concepts. We cannot understand the historical evolution of political systems in terms of democracy, freedom, and human rights, the development of knowledge and science, and the quality and meaning of life without recognizing the centrality of the individual to our thinking. Human society could conceivably have developed differently in this regard. However, one thing we can know with certainty at this point in history is that individuality is a fundamental preoccupation of contemporary human society.

Yet in economics, with its tremendous influence on society, very little attention is given to the *theory* of the individual. The theory of the individual concerns our most basic assumptions regarding what explains individuality. Economics, in fact, takes the individual as given, and operates on the implicit assumption that one particular conception of the individual, indeed one of well-established lineage—the subjectivist view—successfully explains individuality. In this respect it is remarkably alone since, almost everywhere else in science, the humanities, the arts, and law, most believe this conception of the individual in economics to be naive. At the same time, it is difficult for those outside economics to say how individuals should be approached in economics, since the theory of individual choice—in which the understanding of the individual within economics is elaborated, and which economists generally regard as the centerpiece of scientific achievement in the field—places a forbidding array of technical issues in the way of any inquiry into the nature of individuals in economic life. Indeed, the theory of choice

blocks economists' own investigation of the nature of individuality in economics as well, and most economists accordingly take the view of the individual in economics as a given.

This book, then, attempts to expand the space in which individuals can be discussed in economics. It does so by examining the requirements for a theory of the individual in economics, and by investigating the two main conceptions of the individual in economics—the familiar orthodox conception associated with neoclassical and mainstream economics and a less sharply articulated conception associated with dissident traditions in heterodox economics. Though this is an investigation carried out within the philosophy and history of economics, it should be seen as having considerable practical significance. Thinking about the individual in economics is not just important for the future development of that field. How economics understands individuals has extremely important social consequences. In particular, if the way most economists understand the individual actually contributes to a decline and weakening of contemporary society's commitment to the integrity of the individual, then a closer look at conceptions of the individual in economics is surely in order.

In this chapter, I seek to frame the issues this book investigates. I begin in Section 1.1 with a review of the seventeenth century philosophical origins of the modernist conception of the individual that ultimately came to underlie neoclassical economics at the end of the nineteenth century. Section 1.2 outlines the main contemporary critiques of this conception in order to explain what is problematic about this understanding of the individual. Here, I distinguish between the social science critique and the postmodernist critique. Section 1.3 introduces the systematic framework which I use in the book to examine the theory of the individual in economics, namely, an individual identity analysis that has parallels to personal identity analysis in philosophy. In Section 1.4, I briefly differentiate the two main conceptions of the individual in economics, that associated with orthodox economics and that associated with heterodox economics. Finally, Section 1.5 closes with a summary of the plan and organization of the book.

### **1.1 Modernism as dualism: origins of the modernist concept of the individual**

The modern concept of the individual has its origins in the Cartesian–Newtonian dualism of human subjectivity and objective nature associated with Enlightenment conceptions of science and society.<sup>1</sup> Contemporary history of science emphasizes the Newtonian vision and the nature side of this dualism, but the inseparable accompaniment of this vision was Descartes' view of the individual as a *disengaged, subjective inwardness*. In my view, like most dualisms, this Cartesian–Newtonian one was fundamentally problematic and therefore ultimately unsustainable in each of its two aspects. Just as we cannot understand nature purely as a mechanism, so neither can we understand the human individual purely as a disengaged subjectivity. Thus, looking ahead,

that neoclassicism took up this particular concept of the individual planted the seeds of its ultimate dissolution as a theory of the individual in economics.

In his *Sources of the Self: The Making of the Modern Identity*, Taylor traces the development of the modernist concept of the individual from Descartes to Locke. Descartes' image of the self as a disengaged subject identifies the self with the power of reason by virtue of the self not being "in" the material world. Locke carries this image further in ascribing a power to the self to objectify the world. As not being in space—as an extensionless point—the "punctual" self, as Taylor puts it, has the power to set aside the influences that opinion, custom, and desire can have upon us, so as continually to remake itself in a manner that magnifies its own happiness. For Locke:

To take this stance is to identify oneself with the power to objectify and remake, and by this act to distance oneself from all the particular features which are object of potential change. What we are essentially is none of the latter, but what finds itself capable of fixing them and working on them. This is what the image of the point is meant to convey, drawing on the geometrical term: the real self is "extensionless"; it is nowhere but in this power to fix things as objects.

(Taylor 1989: 171–2)

What is it that makes this particular image of the individual a characteristically modern one? The answer lies in the unique response it permits to the rise of mechanical science in the seventeenth century. For Descartes, seeing the individual as disengaged from the world provided both an independent basis for scientific reason and also a means of reconciling science and theology.

In the prescientific medieval world, before nature came to be understood as a mechanism, all was thought to be governed by eternal Ideas imperfectly embodied in the physical world. Plato originally developed this conception, but his basic understanding was later systematically integrated into Christian theology, with the eternal Ideas reinterpreted as the Thoughts of God. According to this view, the things of earthly life are imperfect exemplifications of a cosmic order organized as a constellation of Ideas, and human understanding, embodied in the fallen human form, could never be more than a striving to imperfectly grasp these Ideas through their manifestation in the phenomena of the world. In contrast, then, to the later, modernist conception of the human mind as a "mirror of nature" (Rorty, 1979), before the Enlightenment "nature was the image of mind," that is, the mind of God.<sup>2</sup> Moreover, in contrast to our later understanding of the world as ruled by cause and effect, in both Plato's philosophy and Christian theology the world was organized teleologically, exhibiting a Reason and Goodness for Plato and then the Wisdom of God in Christian theology. Human understanding and behavior had their own particular role in all this. As Taylor puts it, "As humans we are to conform to our Idea, and this in turn must play its part in the whole, which among other things involves our being 'rational', i.e., capable of seeing the self-manifesting order" (Taylor 1989: 161).

Adopting a view of the world as mechanism dethroned this medieval picture of the world. Descartes still preserved a place for God outside nature by supposing the world operated according to the axioms of mathematics and analytic geometry, themselves determined by divine fiat. More importantly, he supposed that our capacity to understand the world as mechanism depended upon our being able to form clear and distinct ideas which only God could guarantee. The connection to the new concept of the individual was direct and immediate. Individual existence, rationality, and God were all tied together by Descartes in his famous *cogito ergo sum* argument, in which he withdraws into himself in doubting his ordinary beliefs, finds certainty in his clear and distinct ideas made possible only by God's goodness, and simultaneously proves his own existence as consciousness, that is, as pure subjective inwardness. From this interior vantage point, Descartes the scientist might proceed to explain Newton's world through exercise of a reason that was certain and powerful by virtue of its joint authorization by God and removal from the earthly world.

However, God only guaranteed us a *capacity* for clear and distinct ideas, and it was still possible that we might have obscure and indistinct ones. How, then, were scientists to proceed in producing scientific truths about the world? Descartes' solution was an extension of his basic solution in that it involved distinguishing between the primary and secondary qualities of things. The sources of our obscure and indistinct ideas, he reasoned, are the distortions of sensation and perception, which concern secondary qualities such as color, taste, smell, sound, and temperature, as compared with primary qualities such as figure, number, position, and size which are amenable to mathematical analysis. Descartes' view was that only primary properties are "in" nature, and that secondary qualities are "in" our senses. Attaining scientific truth thus requires that we "disengage" ourselves from our senses and rely upon our God-given ability to form clear and distinct ideas of the way the world is in itself, or in terms of its primary qualities. Reason, repositied in the subjectively inward individual, possesses the capacity to see the inner nature of the world. Descartes' famous *cogito* argument consequently gave the Enlightenment an epistemology for science, a new ontology of nature without God's participation, and a new view of the individual—one that withdrew from the world to understand and control the world's mechanical laws.

This fundamental division of the world into an inner subjective domain and an outer objective domain was Descartes' great contribution to modern thinking, and it remains the foundation for contemporary thinking about the individual as a disengaged subjectivity and the modern view of nature as a "spiritless" domain. However, Descartes' commitment to the idea of disengagement and recourse to an inner reason contained tremendous ambiguities. In a seventeenth century England that combined the Puritan regicide, hatred of Catholicism, and the science of Newton and Boyle, Locke sought to resolve Descartes' ambiguities by rejecting Descartes' doctrine of innate ideas. The clear and distinct ideas that Descartes thought our inner reason made possible were innate ideas, because God had created our capacity

to grasp them. In the climate of his time, however, Locke feared that what might be represented as ideas God guaranteed us might just be the opinions of men. He consequently proposed a thorough clearing away of “the rubbish that lies in the way to knowledge” (Locke 1975 [1694]: Epistle, 14), and called for a rebuilding of knowledge out of the simple ideas that came to us through sense experience—ideas he regarded as inalterable atoms of understanding. This rebuilding itself took the form of an assembly and reassembly of simple ideas in ways that would create complex ideas, so that a quasi-mechanical, associational organization of the mind would parallel the mechanical organization of nature.

Of course, Locke’s view of knowledge as being built up through association of simple ideas hardly amounts to an apparatus likely to support the new ambitions of science in the seventeenth and eighteenth centuries. However, Locke was less interested in science than in the relationship between the individual and the state, and thus it seems that the important thing about his view of our assembly and reassembly of simple ideas was that it presupposed an empowered disengagement from the world, a “double movement of suspension and examination [in which] we wrest the control of our thinking and outlook away from passion or custom or authority and assume responsibility for it ourselves” (Taylor 1989: 167). This ability of individuals to make their mental activities their own, free of the influence, even the despotism, of others, was what seems to have motivated Locke most strongly. Indeed, he characterized this capacity to suspend judgment and dispassionately examine the credentials of our ideas as a question of freedom versus slavery. This in turn tied in with his theory of legitimate government that presupposed a prior state of nature in which all persons had incontrovertible title to their own persons and labor. For Locke, that is, a capacity for subjective disengagement and title to oneself were part and parcel of a single political theory of the individual. Thus, whereas Descartes laid individualist foundations for science and knowledge, Locke extended these foundations to the subject of individuals and their relation to society.

Arguably, a consequence of this extension was that Locke was more radical than Descartes in the degree to which he understood subjectivity as constituting individuals as independent, autonomous beings. Since Descartes relied on God to guarantee clear and distinct ideas, the existence of individuals in effect depended on God. However, in abandoning innate ideas and reason, and in supposing that individuals had a natural ability to recognize the simple and inalterable ideas of sense experience, Locke effectively made individuals responsible for their own existence. Thus, he advanced what is generally regarded as the first philosophical theory of personal identity—a theory that for him involved defining the self reflexively and self-identically: “For it is by the consciousness it has of its present thoughts and actions, that it is a *self to itself* now, and so will be the same self, as far as the same consciousness can extend to actions past and to come” (Locke 1975 [1694]: 2.27.10). The self reflexively constitutes itself, because as nothing but consciousness it must always be a “self to itself” at any point in time. The self is also the same through time, or self-identical,

because it can never be anything but consciousness through all “actions past and to come.” I return to this conception of personal identity in Chapter 3.

For now, let us simply note another important feature of Locke’s view: the individual understood as consciousness is not only an autonomous being but also an inescapably private being. A being understood simply as consciousness must be a private being, both because the self as pure consciousness can only be conceived in first-person terms, and because consciousness, by virtue of its intentional character, must always be separate from that which consciousness is *of*. For Locke, individuals are confined within a first-person world, with the world of real things only available to them as intentional objects. That is, his conception of the individual is solipsistic and idealist.

Locke thus gave the strongest possible interpretation to the Cartesian–Newtonian dualism of subject and object worlds. However, there exists a long history of critique of Locke’s conception of the individual, the outline of which can briefly be introduced here. Basically, the idea of subjectivity understood as a complete disengagement from the world borders on being incoherent or even self-contradictory. Wittgenstein (1958 [1953]) made essentially this critique in his arguments against the possibility of there being a private language. The Lockean individual presumably employs a private language generated from names privately given to sense experience events. But how would such an individual know that a name given to one experience applies also to a like experience? Something like this would be required if the assembly and reassembly of simple ideas depended upon relations of similarity and likeness. Wittgenstein’s view was that, unless we want to assume some innate faculty for detecting similarity and likeness (which Locke of course ruled out), we must depend on how we learn to use names from others in a shared, public language. Language for Wittgenstein is social. This, however, is incompatible with Locke’s view of the individual as a subjectively disengaged being. But if the individual cannot realistically disengage, then the self is either undefined or defined through identification *with* others (termed “social identification” in contemporary social psychology). This Scylla and Charybdis was inherited in the neoclassical appropriation of Locke’s view and goes a considerable distance towards helping explain neoclassicism’s history of continued efforts to escape from Locke’s contradictions. Final escape, I will argue, was finally achieved, but at the cost of bringing to an end neoclassicism having any theory of the individual for economics.

## 1.2 Contemporary critiques of the modernist conception of the individual

Locke’s view relies, in Taylor’s words, on the idea that we are able to “wrest the control of our thinking and outlook away from passion or custom or authority and assume responsibility for it ourselves” (Taylor 1989: 167). Contemporary thinking about the breadth and depth of political, economic, technological, and cultural

change in modern society has created a wide-ranging skepticism regarding Locke's assumption. However, if Locke was mistaken in his estimation of our ability to suspend belief, then our thinking loses the security of inwardness and loses its presumed autonomy, so that our ideas and also ourselves conceivably become merely products of social forces. Where does this leave the individual? Two versions of this critique are now widely held, one more moderate and one more extreme. First, many social scientists and philosophers argue that the individual remains an important fixture of contemporary society, but say that the individual's nature and identity are constituted for it in various social processes, such as consumerism, the mass media, and identity politics. The self exists, but its identity is determined for it from without by broad social forces. I call this the *social science critique*. Second, postmodernists, deconstructionists, critical theorists, and poststructuralists situate the self within discourse, and argue that the shifting and fragmentary nature of discourse "decenters" the self, undermining its status as a self-subsistent real entity, thus dissolving it as a fixture of contemporary life. According to this view, the self is a modernist illusion. I call this the *postmodernist critique*.

### 1.2.1 *The social science critique*

The more moderate social science critique of the Lockean individual derives from the simple idea that, if the individual is not self-directed, then the individual can only be "other-directed" (e.g., Riesman *et al.* 1950). If our experience is not essentially private and inward, as Locke believed, then we and it must be understood in terms of our relation to society. However, if we define ourselves in the terms that society creates for us, then individuality rests in identifying *with* others rather than distinguishing ourselves *from* others. Philosophers have interpreted the concept of individual identity in the latter sense as personal identity. But the concept of "identity" itself is ambiguous, and also includes the idea of our identifying with others. Individual identity, then, might be better understood in terms of the ways that individuals seek "social identification." Indeed, from this perspective, we can explore countless possible means and vehicles by which individuals have historically sought to bind themselves to others in groups and to groups, communities, and movements, often in order to replace the burden of maintaining personal identities for the security of group identities. Thus, a wide range of different literatures in sociology, psychology, communications, cultural studies, and other fields have investigated the various roles that consumerism, religion, ethnicity, mass media, mass culture, mass movements, etc., have played in constituting individual identity in terms of social identities. In most such accounts, however, the view is not that the individual ceases to exist, but rather that individual identity is continually created and re-created in terms of external group associations. Thus, this critique is still a moderate one in allowing individual identity to remain a pre-eminent concern, though not in its traditional Enlightenment guise as the personal identity of an independent, self-determining being.

For example, one broad approach within this overall social identity literature starts off with the Lockean view of the individual as subjective inwardness to argue that social identification maintains individual identity but only in a distorted way. If the hallmarks of the traditional conception are that the individual is self-directed and independent, then individuals who acquire identities by identifying with others must be internally conflicted, and prey to external influences. The origins of this approach go back to earlier nineteenth century literature on alienation, for example, in Marx's early writings, and have received continued expression in later existentialist writings. One more recent, influential example from social science is Lasch's theory of the "narcissistic personality" which sees individuals as pathologically individualistic in consumer cultures structured around commodity consumption (Lasch 1979). A widely accepted orientation in psychology uses the idea of an inner conflict brought on by a drive to identify with others to advance the notion of individual identity crises. Therapy strategies in psychology and psychiatry thus often aim at restoring a sense of self, finding the "authentic" self, and eliminating a false sense of self on the assumption that the patient's problem is a disorder in personal identity brought on by fragmentation caused by social identification processes.

Another focus of the social science critique of the Lockean individual is in work that explains individual identity in terms of identity politics. Ethnic, racial, gender, and other social group identities are said to be shaped by alien views of "otherness" projected upon their members by individuals from other groups intent upon social dominance. These imposed social identities, however, are contested by individuals in dominated groups through their joint elevation of "difference" and creation of preferred social identities for self-recognition and self-defense. One recent example of this from sociology is the work on Native American ethnicity which investigates how tribal identities are constructed through markets for "genuine" Indian art and through US federal government "official" measures of "Indianness" in terms of blood quantum rules (e.g., Nagel 2000). Another example is "standpoint epistemology" developed by feminist philosophers (e.g., Harding 1986), which examines how individuals are shaped by their "social locations." In general, the strategy of identity politics is to problematize an imposed, "official" group identity by redefining "otherness" as difference. However, contra Locke, individual identity is still primarily social identity, and not an identity apart from others. That is, these strategies simply seek alternative social identifications.

### **1.2.2 *The postmodernist critique***

The more radical, postmodernist critique of the Lockean individual has its origins in the work of Nietzsche, who regarded the concept of the self as a fiction we impose upon ourselves through language to veil the world's terrifying nature as ceaseless change and endless becoming. Thus, to expose the illusoriness of the self, Nietzsche abandoned traditional writing styles to produce collections of disjointed, aphoristic

texts that fragmented his own identity as author, while simultaneously undermining the reader's own sense of self ordinarily built up through a feeling of engagement with a single author. Both were "decentered" when one exposed, as he put it in "Twilight of the idols":

the basic presuppositions of the metaphysics of language, in plain talk, the presuppositions of reason. Everywhere it sees a doer and doing; it believes in the will as *the* cause; it believes in the ego, in the ego as being, in the ego as substance, and it projects this faith in the ego-substance upon all things—only thereby does it first *create* the concept of a "thing".

(Nietzsche 1968 [1889]: 483)

For Nietzsche, without the illusions of language, there simply are no doers, no egos, and no selves. Descartes and Locke supposed there must be, because a world without individuals—indeed a world without God—was too terrible for them to contemplate. However, for Nietzsche, language was a changeable play of masks behind which there was simply nothing at all.

Nietzsche's ideas reappear in Derrida, Foucault, Lyotard, Jameson, Rorty, Baudrillard, and others who follow him in emphasizing the self's inescapable decenteredness. The issue for them is also not how individual identity might be "other-directed" and transformed by social processes, as in the social science critique, but rather how individual identity always dissolves away whenever we attempt to locate it. For example, in Jameson's arguments about the decline of "depth models" of human subjectivity in late capitalism, the commodification of society is said to separate the construction of subjectivity from the social-economic process, leaving subjectivity to be constituted out of an unstructured play of whatever free images or "signifiers" a culture may happen to possess (Jameson 1984). However, a discourse of "signifiers" as a shifting, fluid affair offers no resources for settled ontologies, particularly for an ontology of the self. Consequently, the "individual" can at best be only a loosely associated, changing collection of fleeting images. That is, since imagery occupies the surface of things, a subject constituted out of images cannot have depth, or, in the case of Locke's individual, an inwardness. Baudrillard takes this argument a step further and argues that even the distinction between surface and depth must be abandoned (Baudrillard 1983). Within the world of discourse, signifier and referent inevitably merge with one another, since the term "referent" is itself simply another piece of discourse. Thus, though we might speak of "ontological depth" and "subjective inwardness," these terms do not lay claim to a world beyond discourse.

The postmodernist critique of the individual also has its proponents in the margins of economics (cf. Cullenberg *et al.* 2001), particularly in post-Marxism, among feminists, in the French Intersubjectivist School, and among discourse theorists in the field of economic methodology. Amariglio of the Rethinking Marxism School follows Foucault in arguing that humanism's decline and contemporary loss of faith in the modern *episteme* signals "the death of Man" (Amariglio 1988, 1990).

Economic exploitation, political oppression, and the disempowerment of individuals and entire peoples are not historical anomalies, but rather reflect a postmodern condition that fragments and dislodges man from the center of the universe. Individuals are “overdetermined” by cross-cutting, conflicting social, economic and cultural forces that undermine the old essentialist view of the individual as a self-subsistent unitary being. Among feminists, Nelson (1996) has created a gender/value compass of positive and negative characteristics arrayed across the dualism of masculine and feminine. The purpose is not to relocate or restructure male and female individuality, but rather to recognize the multiplicity of dimensions that govern our understanding of individuals. This in turn is part of a project of criticizing stereotypical roles (the “self-denying wife”) and perverse myths (“economic man”) that dominate economics. Dupuy of the French Intersubjectivist School sees the individual economic agent as “a being radically incomplete, in a state of lack” (Dupuy 1988: 85). Drawing on Keynes’ *General Theory* treatment of conventions and account of mimetic behavior in speculative markets (Keynes 1936: Ch. 12), Dupuy characterizes a “conventional order” as a system “that *contains* the principle of its own decomposition” (Dupuy 1994: 97). Individuals within such a system reciprocally imitate one another rather than act on economic “fundamentals,” reducing economic life to a continually shifting kaleidoscope of interdependent subjectivities (cf. Fullbrook 1997). Mehta’s discourse analysis addresses the dualism between academic and ersatz economics, and argues that the former, in the guise of modern knowledge, “constitutes a form of iconolatry which has subjugated, or rendered ersatz, the other knowledge of wo/man-in-the-street” (Mehta 1999: 45). Thus, *Homo economicus* as a type displaces ordinary individuals who lose their specificity in the requirement that they be seen only within a discourse’s system of classification. “It’s the death of the Subject—an embalment” (Mehta 1999: 44), the elimination of the real individual for a fetish that fixes the eye.

The postmodernist critique, like the social science critique, exposes a fundamental weakness in the Enlightenment conception of the individual as subjective inwardness, namely, that it lacks a specifically positive account of what subjective inwardness actually involves. Descartes’ emphasis on disengagement and Locke’s attention to individual suspension of belief make our understanding of the individual a matter of what the individual is not, rather than what it is. Indeed, the idea of “inwardness” itself is more the idea of a direction than a description of what subjectivity might amount to. This is not to say that the traditional view of the individual as somehow “out” of the world of nature does not still have serious adherents, for example, Nagel (1986), who argues in favor of subjectivity as the “view from nowhere,” or Swinburne (1987), who sees treating the individual as pure subjectivity as a correlate of the traditional Christian conception of individuals possessing an immaterial soul. In fact, it is probably fair to say that the idea that the individual is defined in terms of subjectivity, and that subjectivity is on an altogether different plane from principles that explain the natural world, continues to be held on some

level by many. Yet, in light of the social science and postmodernist critiques, we need to consider the possibility not only that this view contains the seeds of its own destruction but also that this self-destruction constitutes the foundation for a darker view of the individual. The hothouse growth in recent years of cognitive science and expanding support for the view that the mind is only a type of computer suggest that instability in this conception of the individual as a subjectivist being might create the best possible conditions for a new view of the individual as a machine-like or “cyborg” being (Haraway 1991; Mirowski 2002). The logic for this belongs to Descartes and Locke. If the individual as subjectivity is a problematic idea, and subjectivity is simply “not” nature, then it is a short step to seeing the mind as merely another natural phenomenon. How, then, are we to begin thinking more systematically about the individual in economics?

### 1.3 Individuals in economics

The social science critique gives us reason to think that individuals are subsumed within groups. The postmodernist critique eliminates individuals altogether. If we are to think that individuals are nonetheless important in economics, we need to produce arguments that somehow demonstrate that they retain some form of integrity as individual agents in spite of those forces operating upon them that either collapse them into groups or remove them from the scene altogether. That is, we need arguments that might justify our thinking that individuals possess at least a relatively independent identity. In this section, then, I discuss what the idea of individual identity involves, explain how I will investigate individual identity in this book in terms of *identity criteria*, and finally situate this framework in the context of current thinking about economic methodology.

Before doing this, however, let me briefly note a further rationale for investigating individual identity in economics in addition to its social significance. The lack of attention given to the theory of the individual in economics reflects economists’ widely held and generally unexamined belief that individuals are *exogenous* to the economic process. Most economists, that is, do not believe that individuals are changed in nature by the economic process, and much less believe that their status as individuals might itself be affected by that process, or that individuals and the nature of individuality might be *endogenous* to the economic process. They believe these things in spite of obvious historical evidence that the economic process is a record of the continual transformation and destruction of individuals. However, perhaps changes in the way economists are beginning to think about time, process, evolution, and cumulative causation herald a change in how in the future they will think about how individuals are affected by change in economic life. My argument is that beginning to think systematically about individuals as endogenous to the economic process depends upon first developing a framework for discussing individuality and the nature of individuals. By analogy to accounts of change in economic systems

explained in terms of theorized structures within which that change can be said to occur, the theory of individual identity constitutes a theoretical structure of analysis within which an investigation of change in individuals can take place. This book accordingly introduces a structural framework of analysis for the theory of the individual in economics, employing the concept of identity criteria for that purpose.

### **1.3.1 Individual identity in economics**

The topic of individual identity in economics can be introduced as an analog to the topic of personal identity in philosophy. When philosophers investigate personal identity, they ask what must we assume about a person in order to suppose that that person retains a single identity in spite of changes in any number of that person's characteristics (cf. Noonan 1993). For example, one might argue that, though a person ages or changes in appearance over time, because the person still "has the same body," or better perhaps, "has the same brain," we are justified in saying that the person remains the same person. Or, were one to point out that bodies and brains also change over time at the cellular level, then we might say that the person "having psychological continuity" justifies our ascribing personal identity to that person. Thus, the basic idea that philosophers investigate in connection with the problem of personal identity is whether there can reasonably be said to be something unchanging about individuals in spite of their obviously undergoing change through time.

In economics, as traditionally understood, it seems clear that something like personal identity is assumed about individual economic agents. Individual economic agents are clearly changed in some respects as a result of actions they undertake, as, for example, when individuals raise their "utility" levels when they consume commodities, or when individuals acquire new skills because they invest in human capital. However, to suggest that individuals who raise their utility or acquire new skills are somehow not the same individuals who consume commodities and invest in human capital borders on incoherence. Indeed, economists innocuously assume that, when an individual at time  $t_1$  engages in actions meant to produce certain consequences at time  $t_2$ , the same individual, even if changed in important respects, is involved at both  $t_1$  and  $t_2$ . Thus, implicitly economists follow philosophers in supposing that there is something unchanging about individual economic agents that would in principle explain their individual identity. This implies that it should be possible to say what explains, or at the very least say what is believed to explain, individual identity in economics.

I characterize this concern with tracking the individual through change as a concern with reidentifying the individual. It can consequently be called the *reidentification problem* in individual identity analysis in economics. Traditionally, the reidentification problem has been the primary concern of philosophers investigating the problem of personal identity. Methodologically speaking, their procedure has been first to assume that they have a distinct individual of such-and-such characteristics, and then to investigate how one

might reidentify that particular individual through a process of change that affects some but hopefully not all of that individual's characteristics. However, the social science and postmodernist critiques indicate that addressing the reidentification problem alone is not enough. Since they conclude that the individual either disappears into the group or disappears altogether, for them there is simply no distinct or independent individual in the first place that we might then attempt to track and reidentify through change.

It may seem odd to say that individuals might not be distinct from one another, since human beings can be individuated by virtue of their having different bodies. However, the issue here is not physical distinctiveness but rather whether individuals are distinct as economic agents. Economics, of course, often disregards individuals' physical distinctiveness when it counts multiperson entities such as families and firms as individual economic agents.<sup>3</sup> At the same time, economics (at least orthodox economics) also places considerable emphasis on single human individuals as economic agents. How, then, are we to know when individuals ought to be subsumed within groups of individuals and when they ought to be regarded as distinct agents? Since economics allows for both cases, it ought to have some implicit criterion for differentiating between them. Drawing this out would then be important, because that would tell us when and whether the social science critique can be resisted in economics. The issue, then, is the criterion by which we distinguish individuals as independent economic agents from one another. I call this the *individuation problem* in individual identity analysis in economics.<sup>4</sup>

How, then, can these two problems be systematically investigated? My strategy is to formulate identity criteria for both problems that particular conceptions of the individual in economics would need to jointly satisfy if the economic theories in which those conceptions operate are to be said to possess adequate conceptions of the individual. Since the goal of this investigation is to be able to say whether individuals exist according to a given conception of what individuals are, in the next subsection I justify these two criteria in ontological terms, and then comment on the general methodology involved.

### 1.3.2 Identity criteria

Talking about whether independent individuals exist as distinct beings through a process of change involves ontological analysis. Ontological analysis generally operates in terms of basic categories of existence. This implies that, if we are to investigate individuals in ontological terms, we need in the first place to be able to say in a most basic sort of way what individuals are by identifying them as being a certain kind of thing. That is, implicit in our concept of *any* object is that it is always some *kind* of object, in that "it is impossible to say anything about an object without allowing for the possibility of the question, 'What kind of a thing is it?'" (Shwayder 1965: 41). Quine puts this in terms of the traditional ontological maxim: "no entity without identity" (Quine 1969: 23). This is to say that we decide what kinds of thing can be

said to populate our conceptual universe according to whether they pass the test of being identifiable as a certain kind of thing. Or, “our conception of an object, regarded as a possible object of thought, is to be explained in connection with certain kinds of tests by application of which we are able to individuate particular objects and to establish the existence and identity of objects” (Shwayder 1965: 41–2). These tests might accordingly be thought of as existence tests for kinds of things.

Here, I formulate existence tests specifically applicable to the concept of the individual in terms of identity criteria or identity conditions that need to be satisfied when we speak about individuals in general. The two tests or criteria are that it must be possible to show for a given conception of the individual: (a) how individuals are distinct from one another in terms of that conception’s key defining respect, and (b) how they may be tracked through change as unchanged in terms of that conception’s key defining respect. Whether different conceptions of the individual in economics satisfy these tests determines whether they involve satisfactory concepts of the individual, and consequently whether the kinds of individual they describe can be said to exist.

The approach here, then, is normative in evaluating different possible accounts of individuals in economics according to a standard. The standard is an ontological one that assesses whether particular accounts of individuals fulfill the most basic requirements for talking about individuals. This strategy differs from a more familiar form of critique of concepts common in economics—one operating epistemologically in terms of what we can know—that juxtaposes a concept and information about the world. For example, it is often said that the subjectivist, preferences-based concept of the individual does not accord well with individuals’ observable reliance on conventions. This method of critique, however, is typically not persuasive to steadfast defenders of a concept, since they can always draw attention to different bodies of empirical evidence that better accord with their concept. The method here, in contrast, investigates the consistency of a concept according to whether it fulfills the basic presuppositions that apply to it as a particular kind of concept. This makes the critique in question one of a concept’s internal consistency, since the basic presuppositions of a concept are part of that concept.

Of course, a critique in terms of the supposed basic presuppositions of a concept can always be challenged by questioning those basic presuppositions. Are they the right ones? Are they properly formulated? Did one carry out the ontological analysis that produced them correctly? These questions can be examined independently of their application to a subject matter being investigated, as they long have been by philosophers. However, in this book I concentrate on the task of application in the hope that it will illuminate the most basic requirements involved in talking about individuals in economics in an ontological way. To this end, I hope also to refocus attention on a key question too often neglected in economics: what is economics *about*?

### 1.3.3 *Theories, models, and reference*

Let me place this strategy of ontological investigation in the context of current thinking about economic methodology. An important concern in current economic methodology is how theories, assumptions, and models in economics relate to the world—their realism or their realisticness (Mäki 1989). One view is that theories, assumptions, and models somehow “represent” economic relationships in the world. Yet how this “representation” occurs is controversial, since there are many different ways in which this contested notion can be understood. Consider models as theoretical vehicles in economics. One view of representation is van Fraassen’s (1980) that there is a strict isomorphism between models and the world they represent. Another view is that the relationship between a model and the world is one of similarity (Giere 1988). Departing from this emphasis, Cartwright regards models as idealizations or approximations in that they only describe reality in certain respects (Cartwright 1983). Cartwright’s view, however, suggests we consider what roles models play and more generally what they do. This opens up a range of views about models, such as that models are metaphors (McCloskey 1990), that the relation between the model and the world involves different kinds of analogy (Hesse 1966), that models caricature the world (Gibbard and Varian 1978), and that models may be understood as mediating instruments (Morrison and Morgan 1999). One moral of this history is that the relationship between theories, assumptions, and models and the world to which they relate is multifaceted and complex (Boumans 1999; Boumans and Morgan 2001). Is it still possible, then, to take a meaningful ontological perspective on the theory of the individual, including its main assumptions and the ways in which individuals are modeled?

My approach to realism and realisticness is formulated in terms of referentiality. Rather than ask how entire theories and models connect to the world, I proceed somewhat more modestly by investigating the conditions under which their principal terms refer to the world. In the philosophy of language, the theory of reference concerns how linguistic terms and expressions designate or pick out things in the world. The dominant view of reference for much of the twentieth century was the Frege–Russell description theory which held that terms refer by expressing properties actually possessed by the things to which those terms refer. This view was challenged in the 1960s by the causal-historical theory which explained reference in terms of historical causal chains that traced back the use of terms to an original act of referring. However, with a focus on identity conditions, I approach reference ontologically rather than linguistically by asking whether a theory’s terms can be said to satisfy appropriate identity conditions in regard to what they are meant to pick out. For example, the term “individual” used in a particular theory is used legitimately if it successfully refers to individuals in the world, the determinant of success being that the way the term is used in the theory is consistent with identity criteria for use of the term “individual.” Thus, I make successful reference in this sense a requirement of “good” theories. One motivation for doing so is my belief that theories and models are largely constructed around their objects, and that our theorizing about

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