

THE THEORY OF THE INDIVIDUAL IN ECONOMICS. Identity and value.

John B. Davis, Routledge, London, UK, 2003, pp.216

Davis takes as his starting point the observation that while mainstream economics tends to be methodologically individualist and to start from atomistic individuals, heterodox economics tends to be methodologically holist and to emphasize social groups rather than individuals. Davis's own focus here, however, is ontological rather than methodological and he seeks to show that the mainstream does not in fact treat of genuine individuals as agents; that heterodox theory can sustain a significant view of the individual without collapsing into social determinism; and that, initially surprising as it may seem, the heterodox tradition may actually provide a more secure basis for the normative defence of individual autonomy than can the mainstream tradition. This is, then, an ambitious work.

Part I is dedicated to mainstream economics – and quickly raises the question, ‘is mainstream economics still about human individuals?’ Davis argues ‘that it has no systematic way of saying that it is’. (p.24) Constant reference is of course made to ‘individual agents’, to households and to firms. Yet even the second and third of these references raise an obvious doubt: neither a household nor a firm is (necessarily or even usually) a single individual in the substantive and everyday sense of the term, a genuine individual with subjectivity. If mainstream theory is so cavalier about the use of the concept ‘individual agent’, how genuine can be its theoretical (or ethical) concern with the real, living, subjective individual? And given the emphasis on market level

phenomena, what sincere objection can there be to the Casselian approach of starting from market-level demands and supplies? ‘After Pareto, individual preferences were only nominally subjective. They could still be characterized as preferences of human individuals, but in comparison with the older cardinal utility framework there was not much that linked them to the psychology of human individuals’. (p.28) Davis traces the increasing formalization of demand theory through the work of Hicks and Allen, Samuelson, revealed preference and rational choice theory and then considers the Sonnenschein-Mantel-Debreu results as a death-blow to the micro foundations project (p.35) and the evasions of ‘representative agent’ theorizing. (p.38) Chapter 3 is devoted to the ‘reidentification problem’ asking, that is, how mainstream theory can establish that an ‘individual’ characterized as merely a set of preferences can be known and shown to remain the same individual in the course of time and thus change; Davis is not convinced that it can, even when assisted in the task by the concept of embodied human capital. (pp.58-61) Chapter 4 turns to the ‘more fundamental issue’ (p.62) of ‘individuation’, the problem, that is, of establishing that there is indeed a unity to the ‘individual’. That this is not a ‘non-problem’ is shown, for example, by analyses of the divided-self (Margolis), of the multiple-self (Steedman and Krause) and of self-control (Schelling). If (most) households and firms are multi-person, is even the single human person not best seen – in some respects at least – as internally conflictual? In Chapter 5, ‘After the fall: the machinery of choice’, Davis suggests that the ‘individualism’ of much current mainstream economics is merely a convention, a polite fiction. When revealed preference theory has pushed aside conscious mental processes, when Friedman has promoted a mere instrumentalism, when the mind is modeled as a computer, when Arrow has

eliminated intensity of preference (and hence individual experience) and when Lucas can write of the ‘interacting robots that economics typically studies’ before descending into representative agent evasion (p.99), one can see Davis’s point. (He naturally argues it much more carefully than can be set out here.)

Part II is devoted to heterodox economics and to a reconsideration of the book’s main themes. As Davis quickly notes, the heterodox tradition has its own, different problems with respect to the individual; here the socially embedded individual is in danger of disappearing into a class, a nation, etc., but Davis intends to reject both pure subjectivism and pure embeddedness. (p.108) Rather, we need a ‘structure-agency’ framework in which ‘Individuals are born into a world of pre-existing institutions, and institutions evolve as a consequence of the past actions of individuals’. (p.112) Through their ‘self-concept’, individuals both reflect and transform socially given meanings (p.114) and by understanding individuals in this way one can overcome the methodological individualism/holism divide. Chapter 7 revisits the ‘individuation problem’ in this new context and makes much of the concept of ‘we-intentions’ (p.134) and its relevance to both rules (institutions) and norms (social values). By accepting and committing themselves to such intentions, socially embedded individuals are genuinely distinct individuals and not mere ‘bearers of class relations’ or whatever. Chapter 8 then returns to the ‘reidentification problem’, again suggesting that the heterodox tradition can fare better than mainstream economics; the focus here is on Sen and capabilities – and even if Davis voices some differences from Sen, he too emphasizes both freedom and the individual’s relations to others. In Chapter 9, ‘Before the fall: value in economics’, Davis

suggests that facts and values are more closely intertwined in socially-embedded-individual theory than they are in an atomistic theory and uses works by Scanlon and by Sen to consider utilitarianism, actions and states of affairs, and the possibility that an action is intrinsically wrong (not merely dis-preferred). (p.172) The Hume/Lewis/Sugden view that ‘moral norms’ are simply conventions is rejected – a moral ‘ought’ involves an obligation and not a mere fear of disapproval. (p.175) The ‘socially embedded’ approach can perhaps do better than this, via ‘we-intentions’ (p.177) and, more generally, with its more complex and complete view of the value-motivated individual may actually provide elements of a better defence of the individual than can now be provided by either atomism or positivism, ‘ despite their long history of association with liberalism’. (p.183) Chapter 10 summarizes Davis’s main points.

This is a well-written volume – which is just as well since the argument is dense – and is attractively produced, with a bibliography and an index. If it is short on substantive conclusions (pp.128-9), it is certainly thought-provoking and may push some readers at least towards the production of substantive results in economics.

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