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The Individual in Economics

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by

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As a social science, standard economics is founded on the explanation of individual behavior. But the particular *conception* of the human individual we find in standard economics is not explicitly grounded in any *theory* of what it means to be an individual. By theory of the individual I mean a systematic account of reasonable requirements that any particular conception of the individual must satisfy to be successfully about distinct human individuals. One thing, then, that I will argue here is that the particular conception of the human individual in standard economics *cannot* satisfy reasonable requirements any conception of the individual needs to satisfy to indeed be about distinct human individuals. To make this argument, I first explain the two theoretical requirements or criteria I take to be necessary to any conception of the individual (section 1). I formulate these requirements as two tests that I then apply to the standard conception of the individual in economics, and argue that this conception fails both tests (section 2). After this I develop what I take to be the leading non-standard conception of the individual in economics, and apply the same two tests to it (section 3). This non-standard conception, I argue, passes the first test, but fails the second. But the reasons it fails the second are different from the reasons why the standard conception fails, and this tells us something about the status of economics as a science and the role of ideal conceptions in economics, to which I will turn briefly in closing (section 4).[1]

It would be ironic, of course, were what standard economics is probably best known for – the explanation of individual behavior – to lack foundation in an adequate conception of the human individual. It would also raise important questions about the status of economics as a science were its central conception problematic in key respects. But given the general influence of economics in society today, I see a darker side to this in the potential for widespread social acceptance of one particular conception of the individual that fails to actually explain what it means to be an individual. I do not believe that explanations in economics need always be about individuals, though I think many explanations in economics in terms of individual behavior are valuable. I do believe, however, along with many others today, that ethics must be about individuals.[2] Thus in the light of the many relationships between economics and ethics, I find an economics that loses track of individuals, and is either unaware, or worse, unconcerned that it is doing so, an especially worrisome affair, particularly as contemporary society already puts so many individuals at risk, while at the same time often congratulating itself about its concern for the individual. One goal of my argument, then, is to bring a genuine normative concern with individuals back into economics, not on the old, faulty basis of the past, but on a basis that is more realistic about the nature of individuals today.

Requirements and tests for conceptions of the human individual in economics

In the history of philosophy, thinking about the requirements underlying any conception of the human individual has usually been approached ontologically in terms of personal identity analysis. The basic logic underlying investigations of personal identity is one of re-identification. If we are to able to say there is some way in which an individual is unchanged through a process of change, then we can re-identify that individual on that particular basis through change, and then ascribe that individual a personal identity in terms of what remains unchanged. Thus one theoretical requirement and test which any given conception of the individual needs to satisfy if it is to be said to be successfully about individuals is that it can describe the particular basis on which the individual is re-identified through change. Note, however, that this reasoning implicitly presupposes that one begins the analysis with a conception of a separate, distinct individual, whom one then seeks to re-identify as a separate, distinct individual on some basis. Philosophers make this assumption in personal identity investigations, because they hypothesize that individuals are separate and distinct. But this assumption cannot be so readily made in economics where there has historically been a long debate over whether economic agents are separate individuals or groups of individuals such as classes. Thus a second theoretical requirement and test that any conception of the human individual in economics needs to satisfy is that it explains how individuals can be shown to be distinct from one another. I accordingly term the two tests that stem from these two theoretical requirements the re-identification and individuation tests respectively, and use them in what follows to evaluate both the standard and non-standard conceptions of the human individual in economics. Alternatively these two requirements and associated tests may be understood as identity criteria which any viable conception of the human individual in economics must satisfy to successfully identify human individuals as economic agents. Put in terms of the philosopher W.V. Quine's famous ontological maxim, then, my approach can be summarized as saying 'no entity without identity' (Quine, 1969, p. 23).

The focus that I adopt represents one way of understanding how the claims of economics relate to the world. The traditional view attempts to find a correspondence between the sentences of theories and facts about the world. But that economists now reason largely in terms of models has shifted recent philosophy of science thinking about economics toward the question how models relate to the world, and here there is less confidence that they can be thought to 'represent' the world in the manner of a correspondence. Indeed there are good arguments to rather treat models as instruments that mediate between our theories and the world (Morrison and Morgan, 1999). From this perspective, what the principal terms in models refer to or name is important, since should these terms indeed pick out real things in the world, the models in which they appear are more likely to be put to effective use as instruments of investigation. Thus how terms in models refer to or name things in the world is for me a matter of whether the conceptions in which those terms appear satisfy reasonable theoretical requirements for being about what they are meant to refer to. The term 'individual' is a name used in economic models, and the meaning of 'individual' derives from the particular conception of the individual among many possible conceptions which the modeler employs. An identity criteria approach, then, is a means of determining whether a modeler's particular conception of the individual successfully picks out real world individuals, and accordingly whether the model in which the term and its implicitly associated conception appears is likely to be put to effective use.

The standard conception of the individual in economics

The standard conception of the individual in economics falls directly within the tradition of thinking about the individual that derives from philosophers John

Locke and David Hume. But their roles in this tradition are opposite to one another. Locke is responsible for what many regard as the first attempt to explain personal identity, arguing of the self that it is in '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).[3] Hume, however, thought the idea of the self was an illicit metaphysical construct, insisting that each of us is 'nothing but a bundle or collection of different perceptions' (Hume, 1888 [1739], p. 252), the changing nature of which precludes our regarding the self as a unity of the contents of consciousness.

The standard conception of the individual in economics, specifically that of neoclassical economics, follows Locke in regarding the individual as a unity of the contents of consciousness, but disregards Hume's skeptical critique. Individuals are said to have fixed preferences over goods and their characteristics,[4] and by ascribing certain properties to these preferences (so that they may be said to be 'well defined') these preferences and the individual are represented in terms of a single unique utility function.[5] An individual's utility function thus represents the unity of an individual's contents of consciousness, where the contents themselves are the individual's preferences. This is not exactly Locke's view, since he allowed for change in the contents of consciousness, using memory to explain their unity, while the neoclassical conception regards preferences as fixed, and then employs an axiomatic, set-theoretic characterization of those unchanging preferences to produce their unity in terms of a single unique utility function. But the two conceptions still suffer from the same fault in that they both presuppose the self in surveying the contents of consciousness, rather than explain it in terms of those contents. Both are circular and empty as explanations of individual identity.

That is, just as Locke remembered his past experiences as his *own* experiences, the neoclassical conception takes preferences always to be the individual's *own* preferences, and not someone else's preferences. It may sound odd to say that someone might have someone else's preferences. But in fact we talk this way all the time when we recognize the influence that individuals have upon one another, as for example, when children adopt the tastes of their parents or when we talk about the effects of commercial advertising. Indeed is only odd to think one cannot have another's preferences if one assumes that preferences are individually subjective in the sense of being unique to a single consciousness. This, however, is precisely what the neoclassical conception assumes, and in this way it follows directly in the subjectivist tradition of Locke and Hume (and of course others). Overlooked is that this tradition comes to a dead end with Hume, at least with respect to explaining the self or the individual solely in terms of the contents of consciousness. To this it might be replied that standard economists have not had reason to concern themselves with problems in the subjectivist view, because they increasingly operate with a more recent development of the standard conception of the individual in the form of the human capital model, which focuses on how education and training are embedded in individuals' skill sets. I will argue, however, that the human capital conception of the individuals is extension of the standard view that fails to break free of the traditional subjectivist focus, and fails the re-identification test in ways that tells us important things about how to re-think our conception of individuals.

The re-identification test

Human capital theory,[6] which characterizes individuals as investing in themselves through human capital stock acquisitions, modifies the standard economics conception of the individual in two ways. First, because investments in human capital require that individuals allocate resources at one point in time in order to produce new skills and abilities they will themselves exercise at a later point in time, this approach explicitly presupposes that individuals change and yet nonetheless sustain a single identity through time. Thus it directly raises personal identity issues. Second, while the theory assumes that individuals' nominal preferences remain fixed when they invest in human capital, the effect of the embodiment of stocks of education or training capital in individuals in the form of their new skills and abilities is to implicitly change the nature of and relationships between their preferences by enhancing some and diminishing others in a such way that individuals' *de facto* preferences do change. A paradigm example is investment in music capital to enhance one's music appreciation (Stigler and Becker, 1977).[7] Music appreciation is an output produced with from time spent listening to music and the stock of music capital the individual already possesses. 'Music capital' itself is produced by applying education in music to one's earlier levels of music appreciation. Over time individuals heighten their appreciation of music by embodying in themselves a 'music capital' that generates higher returns to future listening of music than possible before the investment. The effect of this, however, is to increase the weight of one's taste or preference for listening to music vis-à-vis those other tastes or preferences in which one does not invest.

In such a model, the individual is no longer understood as simply a collection of preferences, but is seen as a sort of hybrid combination of preferences and embodied capital stocks. On one level this involves a positive improvement in the neoclassical conception of the individual, because the combination of taste and embodied capital brought about by a plan of investment constitutes a stronger basis for ascribing unity to the individual than is available on the traditional pure preferences conception. In effect, individuals acquire greater continuity through change by means of accumulating certain enduring, embodied human capital stocks. But on another level this improvement comes at a cost, since the original subjectivist basis for understanding the individual is now undermined by the introduction of a variety of non-subjective factors that call out for an altogether new approach to the individual. Three such factors are worth emphasizing. First, music capital depends on education. But since education is a social process, the individual who invests in music capital can no longer be understood solely in terms of a private combination of tastes and embodied human capital. Second, left unexamined in the standard analysis of human capital investment is the role of differences in individual ability involved in combining music appreciation and education. Such differences can be socially influenced, and thus again the individual is no longer understandable solely in terms of a combination of private tastes and embodied human capital. Third, that individuals themselves undertake investments in human capital suggests that they exercise initiative and act as agents actively able to influence their future. But the legacy of the pure preference conception of the individual is that individuals are passive in that changes in prices and income lead individuals with certain tastes to behave predictably – indeed deterministically. No concept of the individual as an active agent is involved. Thus, for these three reasons at least, the human capital theory modification of the standard neoclassical conception of the individual only further demonstrates the fundamental limitations of subjectivist accounts of the individual, even when enlarged in this way. In terms of the logic of re-identification, individuals cannot be re-identified only as a combination of preferences and embodied human capital, because social influences come to be part of what they are subsequent to human capital investments. Hume, then, may have been mistaken in supposing the self to have been an incoherent notion, but he does not seem to have been wrong in thinking subjectivist conceptions of the self are incoherent.

The individuation test

The discussion thus far has focused on what I have characterized as the re-identification test for conceptions of the individual. I close the discussion of the standard conception of the individual with attention to the individuation test. In contrast to the re-identification test, which evaluates conceptions of the individual in terms of whether they allow us to track a distinct individual through change, the individuation test evaluates conceptions of the individual in terms of whether they show individuals to be distinct from one another. I initially put aside the individuation test in connection with the standard conception of the individual in economics, because proponents of that conception have always assumed that individuals are indeed distinct from one another. Indeed, this is one of the main meanings of methodological individualism in economics. But the assumption that individuals are always distinct from one another now appears questionable in light of the re-identification analysis above, and this raises the question of whether individuals understood as collections of preferences can even be distinguished from one another as separate individuals.

The basic problem is Faust's problem. As Goethe has Faust say (Goethe, *Faust*, lines 1112-1113):

> Two souls abide, alas, within my breast,
> And each one seeks for riddance from the other.

Hume, we saw, denied there was a unity to the contents of consciousness. We might thus interpret his conclusion in a Faustian manner. If the subjective contents of consciousness lack a single unity, might it not be possible that they rather possess multiple unities and individuals therefore have multiple selves? Preferences, we saw, are not transparently one's 'own' preferences, that is, they do not in themselves obviously exhibit ownership or indicate who they ultimately belong to, so in principle just as one set of preferences need not belong to any particular individual, different sets of preferences as appropriate to different selves might also belong to one and the same individual. This is known as the problem of multiple selves or in neoclassical economics as the problem of whether individuals have single or multiple utility functions.

The literature on multiple selves in economics is extensive (cf. Davis, 2003, ch. 4). It was originally inspired by a reaction against the notion that individuals must always be self-interested, and the consequent alternative claim that individuals might rather be thought to have two sets of preferences: self-regarding ones and ethical ones (e.g. Harsanyi, 1955). Yet once the possibility that individuals might have more than one set of preferences or more than one self was considered, by extension it could not be ruled out that individuals might contain any number of different selves, different sets of preferences, or distinct utility functions (Steedman and Krause, 1986). The question this then raised was how might all these internal selves within the individual be thought to be organized as one single self? The analogy to social settings which involve many individuals provided the main suggested answers. Thus, just as in multi-individual social settings a variety of decision coordination or collective choice problems have been studied and investigated by economists and political scientists – such as prisoner's dilemmas, majority voting paradoxes, and Arrow impossibility results –, so these same types of problems and their logics might now be applied to explain the internal organization of individuals with multiple selves or multiple utility functions. That is, the multiple selves *individual* choice problem was in principle no different than multiple individuals *collective* choice problems. Or alternatively *intra*personal collective choice problems were essentially no different from *inter*personal collective choice problems.

This conclusion, however, created a fundamental dilemma for the standard conception of the individual. Traditionally, proponents of individualist explanations in economics – methodological individualists – have rejected the view that supra-individualist explanations, or explanations cast in terms of groups, classes, etc. – labeled methodological collectivist or holist explanations – are appropriate in economics. Ironically, then, were methodological individualists to set aside the internal division of the individual in terms of multiple selves in order to produce coherent single-individual explanations in economics, this would require saying that all an individual's multiple selves acted as one or in concert. Yet this involves making precisely the sort of methodological collectivist or holist claim that had always been rejected for the larger social space of separate individuals. Thus to be a methodological individualist, one had to be a methodological collectivist! This also nicely illustrates the main point here, namely, that the traditional preference-based conception of the individual in economics lacks criteria for distinguishing individuals as separate and independent from one another, whether within society or within single persons. Therefore, the traditional neoclassical conception also fails what I have termed the individuation test.

That it fails this test is evident from the nature of the best 'solutions' that have been offered to explain how individuals made up of many selves might nonetheless be treated as single individuals. I note three of these strategies to make the point.[8] First, some have sought to explain the unity of the self in terms of an 'authentic' self able to exercise self-command or self-control over all an individual's many, purportedly 'inauthentic' selves (Schelling, 1978, 1980, 1984). Others have hypothesized that individuals possess hierarchies of preferences, with second-order preferences or meta-preferences determining when different sets of first-order preferences were or were not exercised (Frankfurt, 1971; Sen 1977). Yet a third solution operates by confronting the classic weakness of the will problem by arguing that individuals adopt various kinds precommitment strategies to foreclose irrational courses of action, much in the way that Homer's Ulysses had himself lashed to the mast of his ship as he sailed past the temptations of the Sirens (Elster, 1979). Unfortunately, in each of these proposed 'solutions' there is an implicit or explicit introduction of principles that go beyond the traditional conception of the individual as a collection of subjective states of mind, and thus a tacit admission that individuals cannot be individuated from one another or shown to be distinct strictly in terms of their preferences.

Speaking of self-command, of having second-order preferences, or of the individual designing precommitment strategies each implies that individuals have some capacity to act and organize the way in which they respond to their environment rather than simply react to it according to the nature of their existing tastes. What these 'solutions' accordingly do is rather point us toward an alternative conception of the individual for economics that includes more than preferences. Consequently here I now change direction, and turn to what I take to be the leading non-standard conception of the individual in economics, set out its main outlines, and then subject it to the same re-identification and individuation tests to evaluate its adequacy as a conception of the individual.

The socially embedded individual conception in economics

The traditional, subjectivist conception of the individual treats individuals as socially isolated, or as atomistic individuals, in that they only interact with one another indirectly by responding to price signals through the impersonal medium of the market. But the autonomy that individuals appear to have on this conception founders on their subjectivist characterization which provides neither the means for demonstrating how they are distinct from one another nor a way of explaining how they might be re-identified through change. How, then, does the alternative conception of the individual as socially embedded differ from this traditional conception? Individuals may be characterized as socially embedded when they are understood primarily in terms of their *external* relations to one another rather than understood subjectively in terms of their *internal* relations to their own mental states. That is, what makes a person an individual on this alternative conception is that individuality stems from relationships *to others* rather than from a relationship *to oneself apart from others*.

That individuals are understood in terms of their relations to others, however, suggests that the embedded individual conception faces a dilemma uniquely its own. Whereas the traditional atomistic conception of the individual begins with the idea that individuals are distinct from one another (though on examination this idea does not stand up), the idea that individuals are first and foremost related to one another suggests just the opposite, namely, that individuals are *not* in some important sense distinct from one another because of this relatedness. Indeed, many who have studied the history of economics would argue that there are not two conceptions of the individual in economics, but only one – the atomistic conception – which has opposed to it not another conception of the individual, but rather a focus upon classes, groups, and other multi-person economic agents rather than individuals. On this view the two opposed traditions in economics and social theory are methodological individualism and methodological holism.[9]

Despite this, however, I believe that the idea that individuals are socially embedded offers a genuinely alternative way of understanding individuals, which might be seen to be predicated upon achieving a balance, in economic sociologist Marc Granovetter's influential way of putting it, between thinking of individuals as neither 'undersocialized' nor 'oversocialized', as neither 'atoms outside a social context', nor beings who 'adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy' (Granovetter, 1985, p. 487). Indeed there are a variety of different ways in which contributors to this tradition have sought to capture this balance, but in my view they share a commitment to a broad conceptual framework that treats social structure and individual agency as mutually influencing one another.[10] In this framework, social structure conditions the actions of individuals, while individual action has transformative effects on social structures. This being said, the key challenge facing an embedded individual conception in a structure-agency framework is chiefly tied up with explaining just one side of this dual relation, namely, how socially embedded individuals can indeed be seen to be distinct from one another, and thereby have effects on social structures as distinct individuals. Those who doubt there is an alternative to the atomistic individual conception are accordingly skeptical that such an account is available.

In light of the problems encountered in the neoclassical subjectivist conception, this challenge may be phrased as asking whether there exists a conception of the individual that exhibits the individual as having active powers with respect to social structure, and thus as behaving as a genuine agent. Recall, then, the thrust of the 'solutions' to the multiple selves problem reviewed above that arises in the traditional atomistic conception of the individual. Those views either implicitly or explicitly represented individuals as able to somehow organize their different selves, but failed to provide an explanation of how individuals had active powers or the capacities as an agent. In the embedded individual conception, however, an interpretation of the individual as an agent does exist if that conception is interpreted to include the idea that the individual is a reflexive being. A reflexive being is one that engages in self-referent behavior, which involves taking oneself as an object just as one is able to take other things in the world as objects. That is, a reflexive being taken as a subject makes the subject itself its object. In principle, then, when one takes oneself as an object, one must presumably distinguish oneself from others and also from the various social influences acting upon one. Thus there is a presumption that reflexive behavior provides individuals a measure of detachment and therefore the possibility of their being able to engage in independent, individual action.

The analysis of reflexive, self-referent behavior is well-developed in the social psychology literature. One example with particular practical significance concerns its role in connection with therapies in mental health associated with strategies for developing individuals' capacities for self-direction.[11] Self-referent behavior, however, has only begun to become a focus in economics. For example, self-referent behavior has been central to macroeconomics since the 1980s rational expectations revolution. Most macroeconomic models are inhabited by a single, representative individual, whose expectations of the economy's performance are defined as rational when they have the economy's model, which includes this representative individual, as their object. The representative individual, that is, takes the behavior of the representative individual as an object, and thereby not only chooses rationally but on the standard view assures equilibrium in the macroeconomy. Another example exists in evolutionary arguments and learning theories, which concern how the behavior of economic agents may evolve through time, and which thus raise the issue of whether individuals need to engage in some form of self-appraisal when they revise past courses of action. Arguably another example, as suggested above, is human capital theory that implicitly requires that individuals appraise themselves with regard to their abilities when deciding which types of skills and training they are most likely to invest in successfully. Finally, Amartya Sen has associated individuals' capacities for forming commitments and a reflexive self-scrutinizing form of behavior (Sen, 2002).

The individuation test

Might then a conception of the socially embedded individual that incorporates self-referent behavior be successful in showing how individuals are distinct from one another? To answer this question here I take one particular conception of the individual as socially embedded, argue that it incorporates a form of self-referent behavior, and then apply the same individuation test to it which was applied above to the atomistic individual conception. The particular conception of the socially embedded individual derives from collective intentionality theory, a recent development and extension of philosophical thinking about intentionality, which examines individual intentions expressed in first person plural terms rather than in first person singular terms.[12] The important difference between an individual's collective or shared intentions and the more familiar individual intentions is that an individual's collective intentions – which when expressed involve the individual employing 'we' language – may be said to depend upon an interactive structure across and between those individuals to whom any given individual's use of 'we' language is meant to apply. There are different ways such an interactive structure has been explained,[13] but the simple point here is that standard usage of 'we' language as it exists in almost all human language requires that the individual using that language consider whether those others to whom it applies would accept the way it is being used. That is, it is a presupposition on the part of the individual that others would accept what the individual asserts when using 'we' in regard to them. This can be understood to mean that the success conditions associated with expression of collective intentions are stronger than the success conditions for more ordinary individual intentions associated with the first person singular pronoun 'I' in that an individual's use of 'we' language is conditional upon others' implicit acceptance of that use.[14]

In economic life individuals regularly express collective intentions in business firms, households, labor organizations, government, and other types of institutions. Collective intentions are even expressed in the market, which is typically thought to be the province of isolated individuals, but which often depends upon shared expectations market participants have especially in connection with non-episodic or repeated types of exchange in which individuals repeatedly trade with the same individuals, and thereby come to rely on trust relationships that counterbalance individual self-seeking normally associated with market exchange. This is not to say that economic life does not create an arena in which relatively isolated individuals act independently of one another, expressing first person singular I-intentions rather than we-intentions, and thus acting in ways that reflect self-interest. Rather the suggestion is that both kinds of behavior exist in the economy, and it ought accordingly be seen as an empirical issue what the balance and scope between the two types of intentions is in any actual economy.

In those particular economic circumstances in which individuals do express collective intentions, then, can individuals embedded in social structures nonetheless be understood to be distinct economic agents? Applying the individuation test to the socially embedded individual conception understood in collective intentionality terms is then a matter of asking whether individuals using 'we' language somehow distinguish or individuate themselves in doing so. I argue that they do so distinguish themselves if one attends to the implications of the way they interact with others in using that 'we' language. Thus, on the one hand, when individuals use 'we' language they bind themselves to whatever they believe others believe to be implied by the use of that language. On the other hand, they bind themselves to such implications voluntarily, since their use of that language is still intentional, and one cannot say that something is both intentional and *in*voluntary. This particular combination of bindingness and voluntariness might be said to involve individuals 'self-imposing' or imposing upon themselves whatever their collective intentions imply. But only an individual can 'self-impose' something upon himself or herself. Others of course cannot 'self-impose' something on an individual, though they can impose things upon an individual contrary to the individual's intentions. Thus 'we' language in its normal usage exhibits individuals as both socially embedded and yet as also distinct from one another at one and the same time. Moreover, this is consistent with the general framework I have suggested appropriate to thinking about socially embedded individuals, namely, that they need to be understood reflexively or as able to engage in self-referent behavior, since 'self-imposing' or imposing upon oneself is a form of reflexive or self-referent behavior in which one needs to single out oneself. To behave this way, that is, one must see oneself as a subject as a distinct object, in this case distinct from other individuals. On the argument here, therefore, the socially embedded individual conception – at least in the case of the collective intentionality interpretation – passes the individuation test to show how individuals thus understood may be seen to be distinct and separate from one another.

The re-identification test

If it can be argued that a conception of individuals as socially embedded is a conception of distinct individuals, can it be argued that individuals thus understood can also be regarded as re-identifiable through change? In the case of the standard conception of the individual as a relatively isolated or atomistic being, the re-identification test was applied to the human capital version of that conception, since individual investments in human capital directly raise the issue of the individual's change through time. One reason that individuals thus understood fail the re-identification test is that the standard human capital conception does not adequately explain ability. In fact, it lacks any theorization of ability altogether. In contrast, the socially embedded individual conception as presented here employs a concept of ability in the idea that individuals act reflexively, and are able to take themselves as objects. Were this ability to be exercised through time, it might then be argued that socially embedded individuals are re-identifiable in terms of this particular ability. More specifically, the question is whether individuals retain over the course of their lives an ability to participate in collectively intentional social settings, where this involves using 'we' language with the combination of bindingness and voluntariness described above in ever new and different types of social groups and social involvements. Thus, should we be led to conclude that socially embedded individuals do not retain such an ability over time, or in effect that the bindingness side of using 'we' language overwhelms the voluntariness side in using it, then this particular conception of individuals as socially embedded would fail the re-identification test.

To explore this possibility, and further develop the idea of ability, I adopt Sen's capability analysis as a framework to explain about how socially embedded individuals might or might not retain an ability to participate in social settings in a genuinely collectively intentional manner over time. Sen's capability analysis bears similarities to the human capital approach, because both frameworks offer a view of individuals enhanced by acquired abilities, but Sen's view is different on account of his re-formulation of the notion of individual advantage. First, on the traditional view, individual advantage is solely a matter of utility or well-being gains. Sen argues, however, that individuals have other types of goals besides utility or well-being – what he terms as 'agency goals' – where this concerns 'someone who acts and brings about change, and whose achievements can be judged in terms of her own values and objectives' (Sen, 1999, p. 19). Second, Sen also distinguishes different kinds of agency, namely, between being able to achieve one's goals, whatever their nature, and a 'real opportunities sense' or freedom of agency involving having options to pursue whether or not these options are ever taken up. In his words, 'Acting freely and being able to choose may be directly conducive to well-being, not just because more freedom may make better alternatives available' (Sen, 1993, p. 39).

With these two principles, he then classifies different kinds of capabilities according to how they relate to well-being or other agency goals, and also according to how they relate to achieving one's goals or simply having additional options. For example, having adequate nutrition, shelter, and health care – sometimes included in lists of 'crucially important capabilities' or 'basic needs' associated with escaping poverty (Sen, 1980) – can be said to combine well-being as a goal with the need to actually achieve rather than simply pursue this goal. Sen terms this well-being achievement. In contrast, having adequate lifetime occupational choices can be said to combine well-being as a goal with having a range of options. He terms this well-being freedom. The particular capability at issue in the current context, however – being able to participate in ever new and different collectively intentional social settings without becoming 'oversocialized' – is best characterized as an agency goal rather than a well-being goal, and in terms of agency should be understood as having 'real opportunities' or freedom.

Does the socially embedded individual framework, then, pass or fail the re-identification test? Do individuals, as a matter of fact, tend to develop capabilities in this strong agency goal sense across their changing experience in social settings? A fair response, I think, is that many, perhaps most people in the world today are *not* able to acquire this kind of capability. Rather, their capability development is more narrowly guided and circumscribed in such a manner as to leave them little discretion in how their capabilities develop. Most people, that is, do not find themselves increasingly skilled in managing their conflicting social circumstances and interactions with others, but over their lifetimes rather feel themselves increasingly overwhelmed by them. They do not succeed in 'self-imposing' the terms of social group participation upon themselves, but instead generally find it imposed upon them by others. They are for the most part, as Granovetter puts it, 'oversocialized.' Thus, our conclusion must be that the embedded individual conception, like the atomistic conception, fails the re-identification test. We might understand this to mean that while socially embedded individuals have a native capacity to be separate and distinct from one another in virtue of their being able to use language to express we-intentions in social settings, they often fail to develop and maintain a capability for this, where this capability is a matter of being able to sustain a capacity for behaving in this way over a lifetime.

The status of economics as a science

Both the atomistic and embedded individual conceptions accordingly fail the re-identification test needed for saying that individuals are relatively independent agents through a process of change, and thus neither accounts for what we might understand as the personal identity of the individual economic agent. Yet there is an important difference between the ways in which the two conceptions each fail. With the atomistic conception, the test fails because individuals cannot in principle be re-identified in subjective terms alone across change. This is made especially clear in the case of the human capital conception, which implicitly adds new, social factors to the make-up of the individual. In effect, the subjectivist conception is inadequate in itself. With the embedded individual conception, however, the re-identification test fails, not because that conception is inadequate, but because, as a matter of fact, most people in the world today do not sustain the ability to 'self-impose' or impose upon themselves the conditions of social interaction over time. That is, re-identification fails, because of the way the world is, not because of any inherent difficulty in the idea that individuals might maintain a relative autonomy by developing a capability for freely participating in their multiple social involvements. At the same time, the embedded individual conception passes the individuation test. I accordingly characterize the embedded individual conception as an ideal conception, and close with brief comments regarding what this implies about the status of economics as a science.

Economics is traditionally taken as a positive, value-free social science. But there are good reasons to think that a strong separation of facts and values which this implies cannot be sustained, and that facts and values are rather thoroughly entangled with one another (Putnam, 2002; Mongin, forthcoming). Ideal conceptions are one expression of this, a familiar example of which in economics is traditional rationality theory, which accounts for what rational behavior would involve were individuals to behave according to the axioms the theory. Ideal conceptions, rather, are descriptive, but also include elements regarding how things ought to be. This creates a peculiar status for economics (and arguably for all social sciences) in that adoption of its results, either through use of its theories or through implementation of policies based upon those theories, can have the effect of actualizing its ideal elements by encouraging behavior consistent with those theories, thus making them in fact better descriptions of the world. This of course becomes problematic if an ideal conception is flawed, as has been argued regarding traditional rationality theory by many who favor a behavioral economics perspective (e.g. Kahneman, 2003). We might understand this tension that problematic ideal conceptions generate by saying they are difficult to actualize, and thus ultimately fail to both prescribe and describe the way the world works.

How, consequently, should we look upon the embedded individual conception in particular as an ideal conception? My argument above was that it offers a good description of how individuals may be distinct and relatively independent from one another in the context of their relations to one another. Indeed it is preferable in this respect to the standard atomistic conception of the individual whose internalist focus fails to capture individuals' relative autonomy. Suppose, then, that the embedded individual conception came to be more widely employed in economics and social science, both for explanation purposes and especially in policy formulation aimed at facilitating individuals' ability to move across their social group involvements in a manner in which they imposed upon themselves the terms of participating in those social involvements. Were this to have the effect of increasingly actualizing this conception, it would arguably then increasingly explain the nature of individuals over the long run. But this would in turn imply that individuals would indeed be re-identifiable through change as distinct individuals, and the embedded individual conception would satisfy the re-identification test required of any conception of individuals. In this way, this ideal conception would increasingly reflect reality.

Of course, whether this might occur depends upon how the future emerges, and clearly the status of the embedded individual conception today is still captive to a world in which most individuals do not sustain over time an ability to 'self-impose' upon themselves the various responsibilities associated with participating in social groups. But my general view is that economics and social science – and moreover ethics as it applies to economics – must make use of some conception of the individual to explain economic life, and thus with the traditional atomistic conception found wanting, and with ordinary experience commonly reflecting social embeddedness, the prospect that the embedded individual conception will increasingly describe what it means to be a distinct human individual is good.

Notes

1. The arguments here follow a lengthier discussion in Davis (2003).
2. See my discussion of the normative significance of the individual in economics in Davis (forthcoming).
3. To make this argument, Locke asserted that we remember our past experiences as our own. Bishop Butler (1896 [1736]) subsequently detected the obvious flaw in Locke's argument, namely, that Locke presupposed the self in seeing his memories of his past experiences as his own, thus making his argument circular.
4. The position was made canonical in Stigler and Becker (1977).
5. Specifically, in a non-probabilistic world, should preferences satisfy the properties of reflexivity, completeness, and transitivity, then individuals may be represented as possessing single preference orderings. Should preferences also satisfy the property of continuity, these preference orderings may then be represented by single unique utility functions (up to a positive monotonic transformation). In a probabilistic world, if reflexivity, completeness, and transitivity still apply, a second sense of continuity applies, strong independence applies, and the standard rules of probability apply, individuals may again be represented by a single unique utility functions (up to a linear transformation).
6. Human capital theory is rooted in the 'time allocation model' extension of the theory of choice (Becker, 1965; Lancaster, 1966).
7. An example with greater public policy significance is the individual's investment in future health as a form of human capital by means of current expenditure on health care goods.
8. See Davis (2003, pp. 63ff) for a longer discussion.
9. This opposition puts aside whether the two stances collapse upon one another, as argued above in connection with the multiple selves problem.
10. See, for example, Giddens (1976), Archer (1995), Lawson (1997), and Hodgson (2002).
11. Thus one form of mental illness, schizophrenia, occurs when individuals fail to take themselves as a single self object. In effect, their inability to behave reflexively or exhibit self-referential behavior creates a multiple selves problem for them.
12. See Gilbert (1989), Searle (1995), and Tuomela (1995) for three influential accounts.
13. For example, Tuomela (1995) treats this as a hierarchical, iterative structure of reciprocal expectations between individuals, whereby an individual expressing a we-intention believes others to whom it applies have that same we-intention, believes that they believe he or she believes this, and so on.
14. This characterizes normal uses of the pronoun 'we.' Derivative of normal usage are cases in which 'we' is used deceptively or fraudulently. Such cases achieve the goals of

those who use 'we' in these ways precisely because others are misled into thinking the 'we' is genuinely shared.

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