

1-1-2006

# The Normative Significance of the Individual in Economics

John B. Davis

Marquette University, [john.davis@marquette.edu](mailto:john.davis@marquette.edu)

---

Published version. "The Normative Significance of the Individual in Economics," in *Ethics and the Market: Insights from Social Economics*. Eds. Betsy Jane Clary, Wilfred Dolfsma, and Deborah M Figart. London: Taylor & Francis (Routledge), 2006: 69-83. [Permalink](#). © 2006 Taylor & Francis (Routledge). Used with permission.

## 6 The normative significance of the individual in economics

### Freedom, dignity, and human rights

*John B. Davis*

Neoclassical economists have long employed the fact–value distinction to advance one set of moral values for economics at the expense of all others under the false cover of value-neutrality. I term this stage in the history of the distinction its *creative* phase reflecting its successful use in creating one dominant set of values for economics. But we now seem to find ourselves in the midst of an historical transition in economics itself with neoclassical economics being increasingly pushed aside by an array of new research programs that bear little or no resemblance to it (Davis 2006). Thus, in what may be a recurring cycle, the fact–value distinction appears to have entered upon a qualitatively different chapter in its history, though one ultimately no less misleading than the last. I term this its *destructive* phase in which neoclassicism’s value commitments are exposed and its reputation as a value-neutral science rejected in arguments made by proponents of the new research programs, each of which is said to be value-neutral but each of which like neoclassicism seeks ultimately to advance new sets of values for economics under the false cover of value-neutrality.

Of course, those who reject the fact–value distinction are neither bound by this cycle of deception and manipulation, nor precluded from reasoned discourse about values in economics. My goal here, then, is to provide one diagnosis of the current destructive phase of the fact–value distinction in terms of the breakdown of the neoclassical atomistic individual conception, and then advance an alternative, viable conception of the individual as socially embedded, which supports values contrary to those I fear are set to emerge in the new research programs in economics in the wake of the breakdown of the atomistic conception. My point of entry is personal identity analysis applied to the conception of the individual in economics (Davis 2003).

The first and second sections of the chapter use personal identity analysis to examine the traditional neoclassical and socially embedded individual conceptions respectively. The balance examines the normative implications of the socially embedded individual conception in a discussion I characterize as an investigation of “the normative significance of the individual.” The third section interprets personal identity in terms of

personal integrity, and then takes up the connection between personal integrity and dignity. Dignity is thus first explained in its personal aspect in terms of the *sense* of self-esteem or pride individuals may possess. But dignity also has a closely associated social aspect that involves the *basis* society provides for this sense of dignity individuals may possess. The chapter's fourth section examines dignity in relation to self-respect, and specifically in terms of the Kantian idea that human dignity depends upon having a capacity for claiming human rights. The fifth section turns to social-economic policy, and discusses the idea of a decent society as one which does not undermine human dignity through the existence of institutions that humiliate individuals. The final section ends with a comment on the current phase of the fact-value distinction in economics.

### **The neoclassical atomistic individual conception**

The neoclassical conception of the individual is subjectivist in defining the individual as no more than a collection of preferences. The idea that individuals are atomistic beings – or that their individuality is a matter of what they are *apart* from others rather than what they are *in relation* to others – follows from the form this subjectivism takes that requires that preferences are always the individual's own preferences and no one else's preferences. I have previously argued that the "own preferences" definition of the individual is circular and vacuous, and that it cannot establish that individuals are separate and distinct beings (Davis 2003: ch. 3). Establishing that individuals are separate and distinct beings involves successfully addressing the first of two tests I have argued any conception of an individual must pass in order to provide a viable account of personal identity in economics. I termed this test the individuation test, and then further required that any viable conception of the individual also be able to satisfy what I termed the re-identification test – the idea that for whatever the conception of the individual at issue one must also be able to show that the individual thus understood is re-identifiable across change.

I will not review my arguments regarding why the neoclassical subjectivist conception of the individual fails both the individuation and re-identification tests, and does so in ways that seem in principle irremediable. Rather, here I simply focus upon how I believe the subjectivist conception has failed – a failure, interestingly, that is largely accepted by many contemporary mainstream economists – and what the implications of this failure are for the destruction of traditional neoclassical values. The main point is that the neoclassical conception that made individual distinctness or independence depend on understanding individuals subjectively also eliminated this very basis on which individuals were seen to be distinct from one another. Thus, the representation of choice now dominant in economics, which involves nothing more than maximization of a formal objective function, applies equally well to any

type of agent, whether it be the single individual, a collection of individuals, an animal or collection of animals, non-living machines programmed to implement maximizing operations, or even cyborg agents made up of an amalgam of living, non-living, human and animal parts (Mirowski 2002). Alternatively, there is nothing in the current understanding of choice that requires it apply to any type of agent in particular. In effect, then, contemporary economics has lost its criteria for distinguishing human individuals or indeed any types of agents as distinct and independent beings.

The moral values this development destroys are individual sovereignty over choice, freedom as associated with choice, and the idea of the individual as a moral center of the economy. For all the complaints one may have against neoclassicism and against the promotion of these values to the exclusion of other equally important moral values, these values have been historically progressive and essential to the modern ideals of democratic society. But current mainstream economics is no longer in a position to defend and promote these values, because it has abandoned its former theoretical basis for understanding individuals as distinct independent beings. What values, then, might the current destructive phase of the fact-value charade be about to put in the place of these? Of course, it is necessary to be speculative about this, but we might begin by asking what failing to distinguish between human individuals and machines implies. Or we might ask what simply failing to distinguish between different distinct human beings implies. A systems-based rationality that lacks any ontology of human individuals and that advances vague ideas of the "greatest good" may ultimately frame the way in which moral values for economics are elaborated in the future. Moral systems that invest no moral significance in individuals are no stranger to the twentieth century, and have often been associated with totalitarian political systems. Neoclassical economics, with its emphasis on individual choice, has generally contested these systems, despite its beginnings in utilitarianism, which has sometimes served as a prop to authoritarian political views. The rise of "scientific" formalist economics within the body of neoclassical economics in the last two decades, however, seems to signal the end of this defense of the individual as normatively significant. I do not mean to say that current mainstream economics or economists are authoritarian, merely that they no longer offer a defense of individuals as they once did.

I hope these very brief remarks help to make apparent why I have emphasized the importance of the concept of personal identity in economics. The applicability of the concept to the field is not immediately obvious (Davis 2003). What I wish to emphasize here is the close relation between one's conception of the individual, or lack of one, and the normative views one thinks appropriate to understanding economic life. From this perspective, the breakdown of the neoclassical conception of the individual is accordingly not just central to understanding economics' status as a science, but also central to understanding the normative posture of

economics in contemporary society. Thus, in what follows, I seek to fill the gap left by the slide of neoclassical economics into a new agent-ambiguous mainstream economics by setting out a possible alternative future for economics and its normative agendas based on an alternative conception of the individual associated with heterodox economics.

### **The heterodox socially embedded individual conception**

The heterodox conception I employ – taken to reflect a number of different contemporary approaches – explains individuals' personal identities non-subjectively in terms of relationships between individuals. Individuals are socially embedded in their relations to others, and this is what paradoxically creates their individuality, independence, or distinctness. I say “paradoxically” because many heterodox economists are skeptical that there even is a conception of the individual as a distinct being appropriate to heterodox economics, rather arguing that the broad sweep of the tradition is holist, and that individuals play but a modest role in understanding social forces and institutions. Thus, the first step in laying out the socially embedded individual conception is to show how individuals understood in this way can indeed be individuated or distinguished from one another, or pass what I call the individuation test. Two related but slightly different ways of showing this involve emphasizing individuals' capacity for forming collective intentions (Davis 2002, 2003) and their capacity for forming commitments to others (Davis forthcoming).

### ***Collective intentionality and individuation***

Collective intentionality analysis is the theory of how individuals form intentions when using first-person plural or “we” speech (Gilbert 1989; Tuomela 1995). Philosophers have traditionally explained individual intentions as if they were always formulated in first-person singular or “I” speech terms (e.g., Anscombe 1979), but of course “we” speech is as prevalent as “I” speech, and individuals clearly express intentions using “we” speech. What is interesting about “we” speech as compared to “I” speech, however, is its more demanding success conditions. When an individual says to others, “we will do such-and-such,” it is incumbent upon that individual to gauge whether others will go along with what has been said. In contrast, “I” speech is easier, since it is only the individual's own intention that is involved, and thus the main burden is simply on effective communication.

It should be emphasized that in both cases, however, we are only talking about individual intentions. That is, a we-intention is not a group intention, since properly speaking groups are not cognitive beings that can form intentions. A we-intention, rather, is an individual's expression of an intention which that individual ascribes to a group in using “we” language

in reference to members of that group. To get a sense of what this means for thinking of individuals as socially embedded, note that whereas we might thus say that an older holistic tradition explains the social nature of individuals *by embedding individuals in social relations*, the non-holistic we-intention approach makes it possible to explain the social nature of individuals *by embedding social relations in individuals*. What, then, is the significance of this for thinking about the personal identity of socially embedded individuals?

When individuals successfully express we-intentions, they apparently do two quite different things at one and the same time. On the one hand, they constrain themselves by adjusting what they say to incorporate how others look upon whatever their shared we-intention is about. On the other hand, they engage in this self-constraining behavior freely in virtue of the fact that intentional behavior is always free behavior. (It makes no sense to say someone else can make me intend something.) Of course, one can be involuntarily constrained by others, but only individuals can freely constrain themselves. Recall, then, that the first personal identity test, the individuation test, requires that, for any conception of the individual, it must be possible to show that individuals thus understood are distinct from one another. This test is satisfied for the we-intention interpretation of the socially embedded individual conception. When individuals express we-intentions, and freely constrain themselves, they effectively *self-individuate* themselves or *self-distinguish* themselves from others. We might understand this to occur at two levels. First, when individuals merely consider expressing a we-intention, they single out and compare themselves to those to whom their expression of a we-intention would apply. Second, their actual expression of a we-intention has a performative quality in the effect it has of distinguishing themselves in relation to those to whom it applies. Thus, the way in which individuals are members of social groups explains how they sustain individuality in those groups.

### ***Commitment and individuation***

A parallel argument regarding how socially embedded individuals can be shown to be distinct from one another can be elicited from Amartya Sen's conception of the individual who makes commitments to others, which he associates with a "self-scrutinizing and reasoning" aspect of the self (Sen 1985, 2002; see, for example, Davis forthcoming). Since his well-known "Rational Fools" paper, Sen (1977) has argued that individuals have a special capacity for forming commitments to others, and that the exercise of this capacity is unrelated to the satisfaction of their own welfare goals. Commitment, I thus suggest, operates in much the same way as individuals' expression of we-intentions in that when individuals make commitments to others they bind themselves by those commitments yet do so freely. As with we-intentions, others cannot force an individual to make a

genuine commitment; only individuals themselves can make genuine commitments. Thus, Sen's "self-scrutinizing and reasoning" conception of the individual is one in which individuals also self-individuate themselves, and pass the individuation test. Sen's individual is a socially embedded one in that it involves individuals being independent and distinct precisely in virtue of their capacity to make commitments that tie them to others (Sen 1999).

### *The re-identification test*

Passing the individuation test, however, is only half of what is required for establishing whether a particular conception of the individual explains personal identity. Also required is that an individual seen to be distinct in some way can also be shown to be re-identifiable in that same respect through a process of change. Thus, if we take individuals to be distinct and independent beings in virtue of their having a capacity to express we-intentions or form commitments, do they indeed sustain this capacity across the change in their lives? One way we may understand this process of change that is specifically appropriate to seeing individuals as socially embedded is in terms of the constant variation in one's social affiliations with others. Individuals are embedded in an almost endless variety of social affiliations over their lifetimes, and it is accordingly fair to ask whether they sustain a capacity to freely express we-intentions or form commitments to others, or rather come to do these things unfreely, and thus become "oversocialized" (Granovetter 1985) beings who fail to self-individuate themselves over time. What I am referring to is whether individuals retain a special kind of freedom specifically reflective of their being social beings. Freedom has often been defined in negative terms of the individual's independence from others; here freedom is rather defined in positive terms of the individual's relation to others. If individuals sustain this specific type of freedom over their lifetimes in the sense of at least being able to regularly exercise it, then on the analysis here they may be said to have personal identities over their lifetimes.

I think, however, that a fair evaluation of the state of many individuals in the world today leads to the conclusion that many people are not able to regularly exercise this kind of freedom across their lives' many changing social affiliations. They are, as it were, gradually beaten down by pressures from others to conform to group dictates, and thus become "oversocialized" beings who increasingly fail to freely use "we" speech and form genuine commitments to others. They use the language of "we," but not freely; they may claim to make commitments, but really follow the lead of others. In effect, their native capacity to do these things does not develop into a sustainable capability that would justify our attributing personal identities to them. In the case of the embedded individual conception, whether or not individuals actually have personal identities, I thus argue, is contingent upon the way the social world is organized, specifically on

whether social relationships in all their variety are generally organized so as to promote individuals developing a capability to freely express intentions and form commitments across their continually changing and diverse social connections. The embedded individual conception thus provides us with an understanding of personal identity as an individual potential, then, but does not guarantee that individuals will actually be able to have personal identities. This implies that on this conception of the individual, personal identity becomes an object of social-economic policy.

In order to be more concrete about what this policy might involve, in the balance of the discussion here, I accordingly set out which moral values underlie this particular conception of the individual as a socially embedded being. I understand this project as a characteristically social economic one, in that those who may be placed in this tradition have consistently distinguished themselves from other economists, both heterodox and orthodox, in their enduring concern with the nature of the individual and the normative significance of the individual in economics (e.g., O'Boyle 1998; Lutz 1999; George 2001; Danner 2002; van Staveren 2001). By "normative significance of the individual in economics" I mean those values specifically associated with the moral autonomy and dignity of individuals in economic life, together with the implications which these values possess for our thinking about the organization and moral character of economic systems. A special concern with the normative significance of the individual in economics, then, represents one particular entry point into the normative evaluation of economics and economic life. I have chosen this particular entry point because it is my judgment that modern history has made the individual a moral focus, and because that moral focus may be in jeopardy at the current point in time – certainly in economics and perhaps more widely. From this overall perspective, my examination of personal identity in economics is meant to provide a systematic foundation for investigating the normative significance of the individual in economics. Essentially, until one has a viable conception of the individual, it seems that one's investigation of the individual's normative significance must be limited and incomplete. However, I believe the socially embedded individual conception advanced above provides a viable conception of the individual, and thus in the following sections I outline a structure of normative ideas that hopefully begins to provide a more complete account of the normative significance of the individual based on this particular conception. The subjects I take up are: integrity and dignity, dignity and self-respect, and the idea of a decent society.

### **Integrity and dignity**

A distinction can be made between personal integrity and moral integrity, where personal integrity refers to the coherence of a person's character, and moral integrity refers to whether a person's character is virtuous

(McFall 1987). Personal integrity appears more fundamental than moral integrity in that moral integrity presupposes personal integrity, and one can have a personal integrity without having moral integrity. Here I am first interested in personal integrity as close in meaning to the idea of personal identity. Personal identity, as I have explained it in connection with the socially embedded individual conception, concerns whether individuals are able to maintain a distinctness or independence across their many, differently demanding social relationships. We may understand this to be a matter of personal integrity if distinctness from others also involves individuals having an internal coherence. Conversely, individuals who lose this internal coherence, though they may still have personal identities in terms of having a sustained capacity for expressing *we-intentions* and forming commitments, may be fragmented and center-less. Personal integrity, it might thus be said, is a somewhat stronger way of looking at personal identity as if from the inside out, or in terms of how one's relations and commitments to others cohere with one another from the point of view of individuals themselves.

One influential interpretation of personal integrity as internal coherence is that of Henry Frankfurt who sees persons as having personal integrity when they are able to regulate their first-order desires by their second- or higher-order desires (Frankfurt 1971). Individuals' internal coherence on this view is a matter of their having a unitary, hierarchical organization to their different, possibly competing desires. Another leading interpretation of personal integrity as internal coherence that is closer to the identity approach here is Bernard Williams' understanding of personal integrity as the product of individuals' identity-conferring commitments (Williams 1973, 1981). Individuals make various commitments to others (sometimes just to various social causes), and this gives them each a personal integrity in terms of those commitments with which they identify most strongly. Further, when an individual's different commitments conflict, the stronger ones dominate, and these then become the commitments responsible for conferring a sense of identity on the individual. Note, then, how Frankfurt and Williams' understanding of personal integrity as underlying identity helps expand our personal identity view of individuals as active beings. On that view, individuals are active beings in having a capacity for expressing *we-intentions* and forming commitments to others. But from the Frankfurt-Williams personal integrity perspective, this capacity should also be seen as simultaneously at work in individuals' construction of or conferral of personal identities upon themselves.

Personal identity, then, is not just something that can only be seen from the inside out, or from the point of view of individuals themselves in terms of their sense of what coherence or personal integrity they may or may not possess. Individuals actively invest in their personal integrity by way of the ties and commitments they make to others, and thereby engage in a kind of reflexive self-construction of themselves. This can be reasonably inter-

puted to include the idea that they are always in a process of self-evaluation – or “self-scrutiny” as Sen puts it (1985, 2002) – since any process of self-construction presumably needs some sort of accompanying stocktaking activity in which one forms a view of oneself in order to evaluate the effects of one’s actions upon one’s identity. Put differently, when individuals are engaged in actions that affect their identities, their accompanying self-evaluation or self-scrutiny provides them an understanding of themselves, or makes them reflexively conscious of themselves. That is, they acquire a self-consciousness.

This sense of self that individuals have provides a basis for how we might think about individual dignity. The concept of dignity is central to many contemporary views regarding the moral autonomy and independence of the individual, but is often not very clearly explained. One complication in explaining dignity is that it has both a personal aspect and a social aspect which are linked together in a manner that is not immediately transparent. Thus, it is one thing to speak of individuals having a *sense* of dignity, and another, though nonetheless related thing to speak of there being a *social basis* for their having a sense of dignity. Avishai Margalit suggests one way of linking these two aspects of dignity in terms of the concepts of self-esteem and self-respect: “Dignity is similar to pride. Pride is the expression of self-esteem; dignity is the expression of the feeling of respect persons feel toward themselves as human beings. Dignity constitutes the external aspect of self-respect” (1996: 51). Dignity, pride, and self-esteem are similar on the personal level. But elsewhere Margalit goes on to distinguish self-esteem and self-respect, arguing that “self-esteem is a ranking concept [that] relies on the beliefs people have about their own achievements,” while self-respect is a matter of “belonging” which one has in virtue of some social membership (Margalit 1996: 46–7). Thus, *self-esteem* is a matter of one’s own opinion and feelings about oneself as compared to others, while *self-respect* is a matter of how one believes one is entitled to regard oneself in virtue of being an equal member of some social constituency. That is, self-esteem is better associated with the personal aspect of dignity, while self-respect is better associated with the social aspect of dignity. Indeed, self-esteem and self-respect do not always go hand-in-hand in that one might have the one without the other (Sachs 1981).<sup>1</sup> But one important basis for individuals having pride, dignity, and self-esteem, as Margalit indicates in the passage above, is whether they feel entitled to self-respect. That is, the social side of dignity underlies and supports the personal, self-esteem side. This thus necessitates our giving special attention to the social side of dignity in terms of its basis in the concept of self-respect.

### Dignity and self-respect

According to most commentators, when we speak of self-respect in terms of how one is entitled to regard oneself in virtue of being an equal member

of some social constituency, we enter the social normative domain of human rights. Immanuel Kant is a main source of this understanding as, for example, when he states that "the dignity of humanity" requires that we not "suffer [our] rights to be trampled underfoot by others with impunity" (Kant 1983 [1797]: 99). The principle continues to be widely accepted, and is central to much thinking about human dignity today. For example, the United Nations (UN) "Universal Declaration of Human Rights" associates dignity and human rights by beginning with a mutual "recognition of the inherent dignity and ... the equal and inalienable rights of all members of the human family" (United Nations 1948). Why, then, does having certain fundamental rights make it possible for one to have dignity and self-respect?

Joel Feinberg sets out the basic case for this connection, first in terms of the personal side of dignity and then in terms of its social side. In the former respect, "the activity of claiming" one's rights, Feinberg argues, is what gives individuals a sense of personal dignity, and leads to their expression of this sense of dignity (Feinberg 1970: 257). But, of course, individuals are not always active in claiming their rights, and, more seriously, barriers may also exist to their claiming their rights. Thus, to fully understand human dignity one must go beyond whether individuals simply express claims to their rights to also speak of individuals having some socially "recognizable capacity" to assert claim to their rights. "What is called 'human dignity' may simply be the recognizable capacity to assert claims. To respect a person, then, or to think of him as possessed of human dignity, simply is to think of him as a potential maker of claims" (Feinberg 1970: 252). Being invested with a capacity to make claims of one's rights, moreover, is the product of a social arrangement that makes the individual a member of a community. Not only must a system of rights be in place, but they must also be guaranteed to all individuals to whom they apply if we are to say individuals have a capacity to claim their rights. Social membership as an established or institutionalized status thus underlies the capacity to make rights claims, plus the self-respect which then flows from this capacity, and finally the sense of dignity individuals possess as a result. One mark or sign of whether individuals have this capacity, feel self-respect, and maintain a sense of dignity is whether individuals feel resentment or indignation should they be unfairly treated by others or have their rights infringed. Resentment and indignation, from this perspective, are *socially justified* feelings of outrage experienced by individuals who have an accepted status as members of a community with rights in that community.

Human dignity, therefore, involves a self-respect that comes of being an accepted member of a community equal in certain basic rights. Returning to the issue of individuals' personal identity in economic life, possessing dignity and self-respect, we may now add, involves individuals having a personal integrity. Individuals have a personal integrity to the extent that

they are able to organize and create an internal coherence for themselves in their changing and varied interactions with others. In ordinary ways of speaking, they are typically said to be self-directed and in a state of self-control. Certainly this sort of quality is additionally needed to fully describe human dignity (Meyer 1989). Of course there have always been individuals who are self-directed and in self-control without having the benefits associated with being accepted members of a community (having rights that justify self-respect and help create a sense of dignity). However, such individuals usually have a stoic quality about them that tends to be rare and exceptional. More commonly, individuals are self-directed and in self-control when they have the self-respect and dignity that comes of having established rights in a community. Thus, to make having a personal identity an object of social-economic policy requires that we think of this identity in terms of individuals having a personal integrity supported by a system of rights that generates self-respect and human dignity.

Let me therefore summarize from all this what seem to be the main elements involved in a normative focus on the individual in economics. First, to make the individual a focus at all requires we operate with a satisfactory conception of the individual, where in personal identity terms this is a matter of how individuals may be seen to be sustainably distinct beings. Socially embedded individuals may be seen to be sustainably distinct in virtue of possessing a self-individuating capacity for expressing intentions and forming commitments to others. What this personal identity view isolates in specifically normative terms is a special kind of *freedom* exercised across one's lifetime of many changing social affiliations. Second, when we think of personal identity as personal integrity, we suppose that being an individual also involves having an internal coherence. Having a sense of the internal coherence in one's life in turn gives the individual a sense of dignity. Integrity thus introduces *dignity* as a second value in the normative characterization of the individual. Third, however, whether individuals have dignity depends very much on whether they feel justified in this regard, and this is a matter of whether they have a socially accepted capacity to claim rights. Dignity in this regard is a matter of having justified self-respect. *Human rights* thus constitute the third key value associated with a normative characterization of the individual.

Therefore, for the socially embedded individual conception, freedom, dignity, and human rights produce a structure of values that provide an account of the moral autonomy and independence of the individual. Central to this conception of the individual is the idea that individuals are able to reflexively engage in a process of self-evaluation whereby their object of attention is themselves as subjects. In normative terms, this reflexivity takes the form of dignity that constitutes the value link between the values of freedom and human rights. Dignity is a reflexive concept both in its personal aspect as self-esteem or pride and in its social aspect as self-respect. The former arises out of personal identity, freedom, and

personal integrity; the latter arises out of membership in a community and human rights. The three values together explain the normative significance of the individual, but dignity plays the central role.

### **Dignity and the idea of a decent society**

To say that dignity is a central value is also to identify a normative point of entry for social-economic policy. In neoclassical and current mainstream economics, efficiency is the normative point of entry that guides policy prescription. The goal of efficiency recommendations is of course to eliminate inefficiency. What, then, is the goal of policy recommendations that make dignity a central value standing between freedom and human rights? Conversely, what is it that we wish to eliminate in the interest of promoting human dignity? Margalit (1996) defines humiliation as the violation of human dignity, and defines a decent society as one whose institutions do not humiliate people. In contrast, a civilized society is one in which people do not humiliate other people, and violate their dignity. A civilized society is of course to be preferred to a decent society, but realism recommends we make at least decent societies our aim, and thereby focus on the creation of non-humiliating, dignity-enhancing institutions if we are to make the moral autonomy and independence of the individual central to our normative thinking about economics.

What, then, does humiliation involve? If we think in terms of its manifest effects on individuals, we might begin by noting that when individuals are humiliated they are made to feel ashamed or caused to have a sense of shame about themselves. That is, humiliation targets individuals' pride and self-esteem. But I suggest that systematic humiliation, as the product of a set of social institutions, has a deeper object, namely, reducing individuals' self-respect. Self-respect, recall, has its basis in the status of belonging and membership in a community, whereas self-esteem is a function of how individuals see themselves relative to others (Margalit 1996: 46–7). Accordingly, institutions that humiliate individuals, such as systems of racial or ethnic discrimination, or household structures that are gender-biased, have the effect of denying individuals membership in a community or reducing their status in a community – in their own eyes. Of course, some stoic individuals may maintain a sense of self-esteem despite the existence of humiliating institutions. But assuming that self-esteem for most individuals depends in important ways on their community status and thus on their self-respect, humiliating institutions work to undermine human dignity by attacking most individuals' self-regard in this most fundamental way.

Put in terms of personal identity, humiliating institutions undermine individuals' personal integrity or their sense of identity. I argued above that, on the socially embedded individual conception, whether individuals have personal identities is a matter of whether they are able to sustain a

capacity (have a capability) to freely constrain themselves to the terms of participation in the many social groups to which they belong. Humiliating institutions, then, by attacking individuals' self-respect, also work to undermine individuals having personal identities. Or, since having a personal identity involves being able to exercise freedom in this way, a system of humiliation also works to limit individual freedom. Societies, of course, have many institutions. The character of a society, accordingly, can be seen to be a matter of the balance of humiliating and non-humiliating institutions it possesses, and the extent to which a society's institutions humiliate individuals can be seen to be a matter of the number and severity of humiliating institutions it possesses.

Making human dignity a central value of social-economic policy, then, means changing social institutions to eliminate humiliating institutions. In this respect, a dignity-based social-economic policy is like efficiency-based policy, since both aim to change institutional arrangements. But a dignity-based social-economic policy involves a more complex value structure in that it combines a specific kind of freedom necessary to personal identity and personal integrity with a reliance on human rights as a guarantee of community membership. There are advantages and disadvantages to operating with a more complex value structure such as this. The main disadvantage is the simple appeal that one-dimensional efficiency recommendations offer is not available when we focus on human dignity. The main advantage is that emphasizing human dignity enables us to begin with a key result of modern history regarding what is normatively important in human society – namely, the dignity and moral autonomy of individuals – and then understand the logic behind that result in a reasonably persuasive way. Having a reasonably persuasive way of understanding the normative importance of the dignity and moral autonomy of individuals, it seems, may be particularly important at the current time in history if one principal defender of the individual – neoclassical economics – is either giving up that defense or leaving the stage altogether. With these conclusions in mind, I return to the fact–value distinction to comment on its current phase and possible future.

### **The creative phase of the fact–value distinction**

While heterodox economists might hope that mainstream economics will disabuse itself of the fact–value distinction in the future, a more realistic view is to suppose that it will remain in good standing for the majority of economists. Thus, I suggest that the more important work for heterodox economists is to work to counter the logic of the distinction by emphasizing the value commitments of economics, and contesting them where they are unacceptable. Today this means exposing the “turn in economics” (Davis forthcoming) by charting the new directions economics is currently taking, and then exhibiting the new value commitments these new directions involve. I suggested at the

outset that the new directions economics is currently taking involve a destructive phase of the fact–value distinction in the undermining of old neo-classical value commitments. This process is really the obverse of a new creative phase in which new value commitments appropriate to a new economics will be elaborated. But just as the new directions in economics are yet to become very clear, so the value commitments that will attend these new directions are also yet to become very clear.

This stage in the development of economics thus seems to offer opportunities to those who reject the mainstream economics vision, since in the emerging mainstream value-interregnum there exists space for promotion of social values that are arguably more humane and more in keeping with a fuller normative understanding of economic life. My arguments here make the individual an entry point, first in terms of personal identity analysis and second in terms of a focus on dignity as a central value. This focus is in part strategic, since neoclassical economics has enjoyed a wider appeal for years in virtue of its emphasis on the individual. Heterodox economists of course reject the neoclassical view conception of the individual, but more important it seems to me is mainstream economics' increasing lack of interest, even abandonment of individuals as a conceptual and normative focus. The heterodox opportunity, then, is to take over the individual as a focus, though on terms that are (normatively) more acceptable. To the extent that the wider appeal of economics is in its defense of the individual, it may be that the coming creative phase of the fact–value distinction may be successfully built upon a genuinely comprehensive understanding of individuals, rather than upon a vision of society in which individuals do not count. Indeed, in such circumstances it might even transpire that economists will come to question the fact–value distinction itself.

## Note

- 1 This is suggested in the often ambiguous use of the term “pride,” as when people say they take no pride in something, but nonetheless have their pride.

## References

- Anscombe, G. (1979 [1963]) *Intention*, 2nd edn, Oxford: Basil Blackwell.
- Danner, P. (2002) *The Economic Person*, Lanham, MD: Rowman & Littlefield.
- Davis, J. (2002) “Using Sen’s Real Opportunities Capabilities Concept to Explain Personal Identity in Folbre’s ‘Structures of Constraint’ Analysis,” *Review of Political Economy* 14 (4): 481–96.
- Davis, J. (2003) *The Theory of the Individual in Economics*, London: Routledge.
- Davis, J. (2006) “The Turn in Economics: Neoclassical Dominance to Mainstream Pluralism?,” *Journal of Institutional Economics* 2 (1): 1–20.
- Davis, J. (forthcoming) “Identity and Commitment: Sen’s Fourth Aspect of the Self,” in B. Schmid and F. Peters (eds), *Rationality and Commitment*, Oxford: Oxford University Press.

- Feinberg, J. (1970) "The Nature and Value of Rights," *Journal of Value Inquiry* 4 (Winter): 243–57.
- Frankfurt, H. (1971) "Freedom of the Will and the Concept of a Person," *Journal of Philosophy* 68 (1): 5–20.
- George, D. (2001) *Preference Pollution: How Markets Create Desires We Dislike*, Ann Arbor, MI: University of Michigan Press.
- Gilbert, M. (1989) *On Social Facts*, London: Routledge.
- Granovetter, M. (1985) "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91 (3): 481–510.
- Kant, I. (1983 [1797]) *The Metaphysical Principles of Virtue*, trans. J. Ellington, Indianapolis, IN: Hackett.
- Lutz, M. (1999) *Economics for the Common Good*, London: Routledge.
- Margalit, A. (1996) *The Decent Society*, Cambridge, MA: Harvard University Press.
- McFall, L. (1987) "Integrity," *Ethics* 98 (1): 5–20.
- Meyer, M.J. (1989) "Dignity, Rights, and Self-Control," *Ethics* 99 (3): 520–34.
- Mirowski, P. (2002) *Machine Dreams: Economics Becomes a Cyborg Science*, Cambridge: Cambridge University Press.
- O'Boyle, E. (1998) *Personalist Economics: Moral Convictions, Economic Realities, and Social Action*, Boston, MA: Kluwer.
- Sachs, D. (1981) "How to Distinguish Self-Respect from Self-Esteem," *Philosophy & Public Affairs* 10 (4): 346–60.
- Sen, A. (1977) "Rational Fools: A Critique of the Behavioral Foundations of Economic Theory," *Philosophy and Public Affairs* 6 (1): 317–44.
- Sen, A. (1985) "Goals, Commitment, and Identity," *Journal of Law, Economics and Organization* 1 (2): 341–55.
- Sen, A. (1999) *Reason before Identity*, New Delhi: Oxford University Press.
- Sen, A. (2002) *Rationality and Freedom*, Cambridge, MA: Belknap Press.
- Tuomela, R. (1995) *The Importance of Us: A Philosophical Study of Basic Social Notions*, Stanford: Stanford University Press.
- United Nations (1948) "Universal Declaration of Human Rights," Geneva: United Nations Office of the High Commissioner for Human Rights, <http://www.unhchr.ch/udhr/>.
- van Staveren, I. (2001) *The Values of Economics: An Aristotelian Perspective*, London: Routledge.
- Williams, B. (1973) "Integrity," in J.J.C. Smart and Bernard Williams (eds), *Utilitarianism: For and Against*, Cambridge: Cambridge University Press, pp. 108–18.
- Williams, B. (1981) *Moral Luck: Philosophical Papers 1973–1980*, Cambridge: Cambridge University Press.