

Review

Reviewed Work(s): Individuals and Identity in Economics by John B. Davis

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*Individuals and Identity in Economics*. By John B. Davis. Cambridge and New York: Cambridge University Press, 2011. Pp. x, 260. \$90.00, cloth; \$32.99, paper. ISBN 978–1–107–00192–3, cloth; 978–0–521–17353–7, pbk.

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The book, *Individuals and Identity in Economics*, by John Davis is the follow-up to Davis's previous work, *The Theory of the Individual in Economics* on the critical role and definition of the individual in economic thought. Beyond analyzing a conception of the individual as a collection of preferences, Davis seeks to resolve notions of atomistic, self-contained individuals with both post-World War II game theory and modern behavioral economics. The result is a well-developed, carefully constructed treatment giving food for thought for those interested in the philosophy of economics and the conception of the individual.

The treatment evolves in three broad stages. In the first, notions of atomism in individual decision making and individuation are revisited. Davis presents a view that economics initially posited an atomistic individual, defined around his or her own collection of self-interested preferences. This self-contained, stationary egoistic view of the self

provided coherent structure for understanding the individual. An individual could be represented by a utility function, itself a construct of a well-behaved preference relation, itself an as-if representation of a choice correspondence. Psychology broadly, and particular elements adopted by behavioral economists, challenged this stationary atomistic view. What must one make of phenomena such as dynamically inconsistent preferences if individuals are so statically defined? Davis adopts the view that the definition of individual as atomistic must be incomplete. A dynamically inconsistent decision-maker, by the development of the argument, is an example of multiple, nonatomistic selves, interacting within an individual. Of course, one can model such behavior as arising from a single decision-maker, but multiple selves clearly presents a problem for analysis one may be interested in such as making welfare statements favoring one self over another. Davis hints at a broad issue in behavioral economics—that it is potentially unclear whose preference ranking to favor in multiple-served situations. Another situation highlighted by Davis is the placement of the utility of others in the utility function. He points to an implicit definition of the individual as being both self and other-regarding. Hence the individual cannot be atomistic if he is multiple, socially served.

The second broad theme concerns strategic interaction. Making allusion to fixed point theorems in game theory, Davis notes that postwar study of strategic interaction has focused often on equilibrium notions of behavior. Hence, in the author's view, individuals are defined by the rationality requirements of equilibrium. Interaction becomes part and parcel of the definition of an individual. Davis suggests that this muddies the waters of individualism as in indefinitely repeated games many outcomes are possible, from one-sided to mutually beneficial given the multiplicity of equilibria. Davis points to experiments in game theory where "what individuals are depends on how their interaction was designed" (p. 109).

The third theme links individuality to evolutionary forces, the economics of identity, and policy questions. Davis begins by suggesting that individuals, the market systems they face, and the nature of their interpersonal interactions coevolve. Given this coevolution, how then can one understand individuals evolutionarily?

Individuals may then be not a collection of static preferences, but a collection, in Davis's view, of individual capabilities responding to evolutionary forces. Stated in this way, the individual again disperses into multiple selves, leaving the atomistic definition of individuation unsatisfactory. The question then becomes can a self-organized individual be recovered? Perhaps not if different capabilities pull individuals in different directions. As such, an individual may be pulled by different potential capabilities or different identities in different situations leading to trade-offs. In this way, Davis makes the link to identity economics, social issues of race discrimination, and normative analysis. On this last avenue, the point is made clear that without a clear notion of the individual, or a clear notion of which utility to favor, policy prescriptions and welfare statements are deeply complicated.

The reading of this text provides the reader with a novel look into the philosophy of economic constructions and their relationship with recent developments in behavioral economics. The author clearly demonstrates a depth of reasoning and care for the subject that should make the text of interest to a broad audience. The most compelling portion of the text, however, is often between the lines. Welfare statements for nonatomistic individuals are wrought with pitfalls and many constructions of individualism face nonatomism in the view of Davis. Recognizing this challenge, how then to move forward? Recent work demonstrates that welfare statements can potentially be made with choice data alone, obviating some concerns. Of course, even with this caveat, the ability to parse definitions of individuation and individuals generates an important foundation for understanding the new economics of identity.

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*The Idea of Justice.* By Amartya Sen. Cambridge: Harvard University Press, Belknap Press, 2009. Pp. xxviii, 467. \$22.95, paper. ISBN 978-0-674-03613-0, cloth; 978-0-674-06047-0, pbk.  
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Amartya Sen's vision of justice is agreeably humane. He sees people as developmental creatures whose well-being depends on achieving

their potential in healthy and satisfying ways. This reflects something of an Aristotelian cast of mind, at least with respect to Sen's picture of the structure of human psychology. Whereas utilitarians tend to focus on preference-satisfaction and egalitarians typically traffic in arguments about the distribution of resources, Sen operates with a more fully rounded idea of human well-being. But, as with other neo-Aristotelians like Alasdair MacIntyre (1984), Sen resists Aristotle's view that there is a fixed list of human purposes or virtues. Rather, he thinks that justice is to a considerable extent about enabling people to develop and fulfill their own capabilities. This means that, although he has strong egalitarian impulses and often recommends antielitist policies, Sen is strongly committed to the idea that human freedom lies at the core of justice. Despite his antipathy for preference-satisfaction as a moral yardstick, he resists appeals to externally identified "interests" that might trump an agent's sense of his or her priorities and purposes (pp. 376-79).

Sen's vision of a better world is one in which more people have the freedom and wherewithal to achieve their best potential, and he thinks that a large part of the task of a theory of justice is to identify obstacles to realizing that vision—and to point the way to their removal. He has two main goals in this book. The first is to provide a synthetic account of arguments about justice that he has been developing over several decades. The second is to establish this view as superior to John Rawls's *A Theory of Justice*, which Sen rightly judges (pp. 52-53) to be the most important work on the subject in a generation.<sup>1</sup> The two projects are inextricably linked because many of Sen's major claims are defined as alternatives to—or at least against the backdrop of—Rawlsian claims that he finds wanting. My own philosophical priors and views about justice are closer to Sen's than they are to Rawls's, but I nonetheless think that Sen fails on both counts. His arguments against Rawls are less than telling and, given what he has said elsewhere, Sen's defense of his own account

<sup>1</sup> Rawls originally published *A Theory of Justice* in 1971, but he had been developing the central ideas in journal articles for over a decade before that. He continued refining—and indeed revising—them in articles and lectures, leading to the publication of a substantially revamped second and final edition in 1999.