1-1-2004

Review of *Reconstructing Economic Theory: The Problem of Human Agency* by Allen Oakley

John B. Davis
Marquette University, john.davis@marquette.edu

Accepted version. *History of Economic Ideas*, Vol. 12, No. 3 (2004): 132-135. Publisher Link.

Book Review of *Reconstructing Economic Theory: The Problem of Human Agency*, by Allen Oakley

John B. Davis
Department of Economics, Marquette University
Milwaukee, WI

The premise of Oakley's recent book is that the concept and representation of the individual in mainstream economic theory is sufficiently unrealistic and inadequate that rather than another critique of this concept what is most needed is a pre-substantive, metatheoretical investigation of the ontological foundations of what it means to be a human agent. He undertakes this project pursuant to a larger aim of reconstructing economic theory as a more humanistic economics, and envisages a three-stage inquiry that includes, first, an examination of what is distinctive about human agency, second, attention to the consequent methodological requirements this implies, and third, a treatment of the epistemology this would entail. *Reconstructing Economic Theory* is devoted to the first of these stages, seen as prior and most fundamental. Oakley believes this investigation properly belongs within an agency-structure framework, but puts aside detailed consideration of the social, institutional, and other structural

History of Economic Ideas, Vol 12, No. 3 (Fabrizio Serra Editore): pg. 132-135. Publisher Link.

influences operating on individuals to analyze human agency in terms of what he characterizes as typical inherited and given situations (pp. 3-4). He then gives critical primacy to three principles that operate – albeit in a highly constricted manner - in mainstream economics' positivist metatheory: folk psychology, agent rationality, and situational analysis. The book is thus devoted to providing a deeper investigation of these principles, and this is carried out in connection with the examination of the ideas of four individuals who Oakley regards as having made important contributions to understanding the ontological character of human agency: Alfred Schutz, Karl Popper, George Shackle, and Herbert Simon. In effect, the book constitutes groundwork for a full theory of the human agent based on this motivated survey. The introductory and concluding chapters provide overview and synthesis, but the bulk of the discussion is dedicated to seven chapters on these four individuals. I briefly review these discussions in order to show their thread, and provide a basis for comment on Oakley's general project.

The focus for Schutz is the subjective or actor's point of view as contrasted with the perspective of the social scientist. Individual agents are isolated, self-conscious beings able to bracket out the world about them in reflexively attending to their own streams of consciousness. To order their worlds they engage in a process of typification whereby they give meaning to their social locations and intersubjective relationships with others. Intersubjective relationships are themselves characterized in terms of distance, ranging from those who are close enough that subjective experiences are shared to those who are only functional types. Oakley sees Schutz's framework as sympathetic to the general principles of situational analysis in its emphasis on individuals choosing and acting in conditioned and structured environment, but he faults Schutz for not giving that environment detailed investigation. He also praises Schutz for seeing human cognition as limited in virtue of subjective perspective and experience, but sees him as failing to consider how individuals might respond to their knowledge being incomplete and fallible. Combining these criticisms, Oakley would like to see more attention to the complex and often conflictual nature of social strucmres, and how individuals negotiate them.

History of Economic Ideas, Vol 12, No. 3 (Fabrizio Serra Editore): pg. 132-135. Publisher Link.

Popper, then, with situational analysis as the centerpiece of his understanding of human agency, is the natural figure to rum to for a finer appreciation of the ontology of situated agency. Moreover, Oakley believes, much of the examination, critical or otherwise, of Popper's situational analysis has emphasized him as a methodologist of science to the neglect of the ontological content of Popper's writings. This is thus pursued through an examination of Popper's emphasis on individuals being free and autonomous and in terms of his three-worlds representation of the human situation, which Oakley believes particularly valuable in providing potential foundations for an onto logically informed situational analysis. In the three-worlds view, world 1 is physical reality, world 2 is all our subjective processes, and world 3 is all the accumulated and recorded products of human intellecmal activity. World 2 is positioned between worlds 1 and 3. Oakley allows that this vision is only a simple sketch, but also believes exposing its limits creates possibilities for augmenting it so as to make allowance for the "shortfalls in agents' relevant knowledge and for deficiencies in their cognitive capacities, for the complexity and temporality of the circumstances with which agents must contend, and for the intricate social, institutional and other dimensions of the situations" in which they operate (p. 79).

These last words are an obvious introduction to Shackle, whose ideas are next discussed. Oakley is particularly interested in Shackle as having defined economics as a humanistic social science, where this particularly involves the idea that human agents are subjective beings who are existentially free and creative though who also have limited knowledge and cognitive capacities. This creativity is associated with the problem of future time and the consequent need for imagination in decision-making. Shackle was of course also a relentless critic of neoclassical theory which he saw as infected with mechanical notions and reasoning. At the same time, Oakley argues, Shackle's vision of time and uncertainty was so radical as to render the individual an isolated, solitary being. He was, that is, "no social ontologist" (p. 146), but one who failed to explain situational conditioning as an objective dimension to choice and action. This led him at times to the unfortunate recourse of suggesting strategies for formalizing the behavioral functions in his models of choice, a notion entirely at odds with the main emphasis in his thinking. Shackle thus posed crucial

History of Economic Ideas, Vol 12, No. 3 (Fabrizio Serra Editore): pg. 132-135. Publisher Link.

questions associated with the ontological character of human subjectivity, but he did so in such strong terms as to make nihilism the message. Inadvertently, then, he points us toward the question of how we are to understand human situatedness.

Thus last taken up is Simon, who at the outset of his career explicitly argued that understanding individuals' cognitive and knowledge limitations also entailed developing a theory of organizations which provide human agents prestructured and reliable frameworks of action. Oakley notes that later in life Simon admitted he "backed away from studying organizations and big economic systems" to focus more on individual decision-making (Simon 1986, 24), but nonetheless treats Simon's conception of human agency as situated agency, and argues that it is from this perspective that his thinking about procedural and bounded rationality should be viewed. Indeed, Simon's increasing hostility as his career progressed to 'armchair economics' that ignored the evidence regarding how individuals actually made decisions continually reminds us of the social context in which decision-making occurs. Thus the limits of rationality, he argued, are associated with the "goal identifications" agents have, which are themselves a product of their locations in organizations. Social roles, moreover, are adaptive and emergent dimensions of agents' actions, rather than determining. All this, clearly, is an advance on providing a sound situational analysis metatheory for economics. Oakley has few hesitations, then, about Simon's contribution, though he does note that Simon errs in missing the ontological nature of limitations on individual action, and that Simon's observations are often highly programmatic.

Where, then, does this tour of contributions yet half-steps leave us? Oakley uses his last chapter to draw together the threads. The broad themes reviewed include real time, self-consciousness, limited cognitive capacity, typification, imagination, contingency, and situatedness. But it is the last theme to which he has continually been pointing in his review of those contributors who for all their insights never entirely grasp, he believes, that radical human subjectivity is ultimately meaningless - perhaps nihilistic - apart from an attention to social structures which frame it. What, then, can complete this partial picture they offer? Here, Oakley introduces, at almost the last

History of Economic Ideas, Vol 12, No. 3 (Fabrizio Serra Editore): pg. 132-135. Publisher Link.

moment, the work of Anthony Giddens (pp. 201-208), a leading proponent of agency-structure thinking, as a possible framework for explaining situatedness. Giddens understands social structure to exercise both enabling and constraining effects on human agents which are exhibited in terms of dual-sided accounts of rules and social identities. For Oakley the key in this is the idea of "a balance in the origins of human conduct between existential, psychologically based contingency and situational containment" (p. 208). He then closes his discussion with strong reminders that there remains a high degree of contingency in human action reflecting the inescapably open nature of our choices.

But has he, in fact, shown us what is involved in a balance between subjectivity and social constraint? Giddens' enabling-constraining reasoning is at such a high level of generality as to be virtually incontestable. Social structures influence action and vice versa. Even neoclassical economists could subscribe to this. The idea of a "balance" between "existential, psychologically based contingency and situational containment" (p. 208) is itself largely metaphorical, and, as it turns, out there is little in Oakley's remaining discussion that tells us how such a balance might be understood. He does appear to have a view of how this balance might be investigated when he emphasizes the importance of investigating social relationships as a means of understanding situatedness.

> Three intimately linked aspects of the situations of agents are of concern in this section. First, we need to establish what is known about the *primary situational conditions* of agents in the form of their *intersubjective and sodal relationships* with other agents.
>
> (p. 197; emphasis added)

(The other two aspects concerns the extent to which these relationships are the product of external structures and the multidimensional nature of the external environment.) But this suggestion is never followed-up or further developed, and indeed Oakley almost always substitutes situatedness or the general idea of social structure for attention to how individuals exist and act within intersubjective relationships with other particular individuals. That is, there is no account of the relational aspects of individual life. Indeed the closest the book comes to such a discussion is in the treatment of

History of Economic Ideas, Vol 12, No. 3 (Fabrizio Serra Editore): pg. 132-135. Publisher Link.

Schutz on social distance. But Schutz's radical subjectivity quickly casts most social relationships into the sphere of types, so that there is never any real engagement with other individuals in relationships which might remove the human agent from a state of existential isolation. Thus, situatedness ends up being simply a more philosophical conception of constraint on individuals with at best incidental connection to what is specifically social in individual life. This seems to argue against Oakley's original strategy of seeking to establish what is distinctive about human agency apart from social interaction. It does not, however, argue against the idea of an ontological point of view, since social embeddedness and the relational character of life is no less an existential reality than the need to act in an uncertain, open world.

Reference

SIMON H. 1986, "The failure of armchair economics," *Challenge, 29.*