**Marquette University**

**e-Publications@Marquette**

***Economics Faculty Research and Publications/College of Business***

***This paper is NOT THE PUBLISHED VERSION;* but the author’s final, peer-reviewed manuscript.** The published version may be accessed by following the link in the citation below.

*Review of Social Economy*, Vol. 67, No. 1 (March 2009): 71-94. [DOI](10.1080/00346760802431009). This article is © Taylor & Francis (Routledge) and permission has been granted for this version to appear in [e-Publications@Marquette](http://epublications.marquette.edu/). Taylor & Francis (Routledge) does not grant permission for this article to be further copied/distributed or hosted elsewhere without the express permission from Taylor & Francis (Routledge).

Identity and Individual Economic Agents: A Narrative Approach

**John B. Davis**

University of Amsterdam, The Netherlands

Marquette University, Milwaukee, Wisconsin, USA

# Abstract

This paper offers an account of how individuals act as agents when we employ a narrative approach to explaining their personal identities. It applies Korsgaard's idea of a “reflective structure of consciousness” to provide foundations for a richer account of the individual economic agent, and uses this to explain and distinguish the concepts of personal identity, individual identity, and social identity. The paper argues that individuals’ personal identities may be in conflict with their socially constructed individual identities. Individuals’ social identities are represented as a link between personal identity, and individual identity. The overall framework is proposed as an alternative to the atomistic individual conception and a contribution to the socially embedded individual conception.

# Introduction

“Reason” refers to a kind of reflective success. (Korsgaard [1996](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 93)

This paper offers an account of how individuals act as agents when we employ a narrative approach to explaining their identities. It seeks to provide foundations for a richer account of the individual economic agent by distinguishing and explaining three identity concepts: personal identity, individual identity, and social identity. The concept of identity is not a familiar one in economics; thus let me begin by giving two reasons why it should be thought important. First, as the standard utility maximizing conception of the individual in economics assumes unchanging preferences, it is necessarily static, and accordingly cannot capture how individuals change over their lifetimes yet still make choices that presuppose they are the same individuals. Many of the most important choices people make regarding such things as education, pensions, health care, insurance, etc. are designed to protect them against change in their lives. One seeks an education so that however one's prospects change, opportunities will still be there. One arranges health care so that whatever health problems one encounters, one will be in a position to address them. Change is a part of life, and people do their best to survive it by managing its consequences. Second, we can make a stronger case for saying economics and ethics are related in important ways when we take identity seriously. For ethics, part of the identity of the individual is being a responsible moral agent. As economics ignores the issue of identity of the individual, this kind of concern appears irrelevant. But if identity is seen as important to economists’ understanding of individual behavior, then it is reasonable to ask what role being a responsible moral agent plays in individuals’ overall identities. How important is moral responsibility to a person compared to their economic choices? Do people's sense of their personal identities determine when they exercise moral choices or economic choices?

In this paper I restrict my attention to setting out what I believe an adequate concept of an individual economic agent requires, and developing this in terms of an account of personal identity as narrative identity. The first section of the chapter frames this in terms of what Christine Korsgaard ([1996](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)) calls the “reflective structure of consciousness.” The second section ties this understanding to the idea that individuals are engaged in producing narrative accounts of themselves, and distinguishes and explains the relationship between the concepts of personal identity, individual identity, and social identity. The third section turns to the account Pierre Livet ([2006](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)) develops to explain how individuals revise and redirect their accounts of themselves in such a way as to sustain personal identities over the course of their lifetimes. The fourth section lists four main relationships between individuals’ own-constructed personal identities and socially constructed individuals identities, and then connects this to the issue of individuals’ social identities and Andy Clark's ([1997](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)) idea of social scaffolding. The fifth section summarizes the argument of the chapter. The overall account that emerges is one of socially embedded individuals who have a capability for narrating their personal identities. This account is intended as an alternative to the standard atomistic individual account, and is thus formulated so as to provide a foundation for an alternative behavioral analysis in economics.

# The Concept of an Individual Economic Agent

Making sense of the difficult and complex concept of an individual economic agent requires sorting out a host of intertwined issues. To distinguish and order these, I first address and dismiss the problem of determinism at the very heart of the question of agency, and then turn to what I take to be necessary to the idea of a genuine agent: the idea that agents have consciousness and that it is reflexive in nature. From there I go on to discuss the main focus of the section, Korsgaard's account of the “reflective structure of consciousness.” While I do not follow Korsgaard in all respects,[1](https://www.tandfonline.com/doi/full/10.1080/00346760802431009) in my view her framework provides the elements needed for an adequate concept of an individual economic agent. A key dimension is Korsgaard's emphasis on practical identity. This provides the lead-in to the second section of the paper, where I talk about personal identity as narrative identity.

## Determinism and Skepticism

The concept of an individual economic agent, it seems, includes at the very least the idea of an entity able to initiate courses of action. But on the standard view in economics, an entity only “acts” because it is determined to do so as the result of some antecedent cause in a cause-and-effect process. Thus, many believe neoclassical economics lacks a true concept of an individual economic agent since individuals only “act” as they are determined to do by their preferences (given their constraints). Although individuals are invariably claimed to be making choices and engaged in decision-making behavior, neoclassicism lacks any account of how individuals might choose other than their preferences dictate. The problem goes back to the 19th century beginnings of neoclassicism and the introduction of the subjectivist conception of the individual. It also goes to the heart of the standard belief-desire model of action which makes no place for agents (cf. Velleman [1992](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)). Although subjectivism has been largely abandoned in economics since Samuelson's reformulation of choice as revealed preference, there is even less in this more recent framework to explain how individuals might make choices, so that reference to “choice” in mainstream economics has become purely rhetorical and ideological.

How, then, are we to explain agents in the true sense as entities able to initiate undetermined courses of action? To begin, one needs to set aside the familiar skeptical ploy that supposes there might always be a determining cause behind an agent's apparent action. The essence of the skeptical claim that an agent's actions might be determined is really just the idea that they *might* be. A better use of skepticism is not to rule out action and agency per se, but to allow for selective examination of cases in which individuals are claimed to act on some theory of action, but where closer scrutiny of those cases indicates that the conditions required for action employed in that theory are not met. Were many such cases to materialize for a given theory, one might then be skeptical that that theory was adequate. This does not imply, however, that no such theory of action is possible. Here I do not attempt to advance any one such theory of action but rather emphasize what I take to be central to many such theories that represent individual agents as having an ability to initiate cause-and-effect processes. Specifically, central to many of these theories is the idea that action stems from deliberation, where deliberation requires consciousness. Deliberation is a process whereby individuals review considerations relevant to action; consciousness is their ability to review the considerations relevant to action.

## Consciousness

First, then, to see why consciousness is important consider how introducing it undermines the canonical (deterministic) account of individual behavior in economics. On this view (cf. Stigler and Becker [1977](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)), changes in individual behavior are caused by changes in prices and incomes, such that when, say, a price changes, given the new resulting opportunity set, the individual's preferences dictate the new bundle of commodities demanded and supplied, so that an antecedent event fully determines how the individual behaves. However, if individuals are seen to be generally conscious of the world and how it affects them, then when a price changes, individuals are typically aware of how their preferences are affected, and they may act as standard theory predicts, or they may not. One can no longer say, that is, that individuals are simply compelled to behave as antecedent events determine, because an intervening factor, consciousness, is now part of the picture, and consciousness creates the opportunity to deliberate over one's choices. Moreover, the only possible response to this—saying that consciousness can *never* make a difference to the situation—is essentially equivalent to saying that individuals are powerless to act other than antecedent events require, which is nothing more than a re-assertion of blind skepticism, not to mention contrary to ordinary experience. Indeed, what such a response really offers is an unbending commitment to the idea that antecedent events are the exclusive explanation of behavior, and an unwillingness to examine the real conditions of choice. Thus, the introduction of consciousness as a component of individual behavior is essential to the idea of individuals as agents able to initiate new cause-and-effect processes.[2](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)

How, then, are we to make the concept of consciousness a manageable tool for analyzing individual behavior in economics? I take consciousness to be a cognitive orientation that agents have toward themselves as opposed to one they have toward objects distinct from themselves, such as things and other individuals. Thus, consciousness is often termed self-consciousness to contrast it with the idea of being conscious of things distinct from oneself. However, the term consciousness is retained on the grounds that the term self-consciousness appears to imply some concept of the self which would then be the object of consciousness. This runs the risk of implicitly introducing a whole range of implicit assumptions about what the self is that can be avoided by just focusing on there simply being two kinds of orientations agents can adopt. The more modest strategy, then, is to simply distinguish between an agent's inward and outward cognitive orientations, and put this all in the language of subjects and objects. Then agents can be in *outward subject-object cognitive relationships* and *inward subject-subject cognitive relationships*. The latter is labeled consciousness; it is largely overlooked in economics, which focuses almost exclusively on subject-object cognitive relationships that involve an outward orientation.[3](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)

Cognition itself involves all forms of mental activity, such as the expecting and preferring that economists employ, and also believing, wishing, liking, fearing, valuing, understanding, and so on in a nearly endless list of ways that represent mental life. Philosophers label these “intentional states” in that it is part of their nature to always involve orienting towards something. That these states merely involve an orientation towards something, then, means that they can comprehend an outward orientation toward other things (as when people say they believe something—“I believe it is raining”—or they believe someone else–“I believe you”) and also an inward orientation toward the source of the mental state (as when people say they believe themselves on some subject; “I believe I am right”).

The theory of choice in standard economics generally employs only two forms of cognition or intentional states, both of which involve outward subject-object orientations, namely, preferring and expecting. Meta-preference analysis, which was briefly of interest in the 1970s, is a rare exception in standard theory involving an inward subject-subject orientation in the form of having a preference for one set of preferences over another.[4](https://www.tandfonline.com/doi/full/10.1080/00346760802431009) The idea of having preferences over preferences, unfortunately, does not tell us much about consciousness, much less about deliberation, and thus is not likely to take us very far in explaining how individuals might initiate actions. But by its very nature the meta-preference idea does highlight what is central to the idea of consciousness as an inward orientation, namely, its *reflexivity*, or the idea that the subject takes the subject as its object. As weak as the meta-preference idea can be when mechanically employed, at least in principle it shows how to break the agent free from cause-and-effect determination by making the agent in the guise of a meta-preference ranking rather than antecedent events the cause of which preferences are acted upon. Alas, the meta-preference idea has been largely abandoned by the mainstream, probably in part because it was too simple an idea to explain much.[5](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)

Amartya Sen, who took the meta-preference concept seriously in his earlier work (Sen [1977](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)), subsequently advanced a more sophisticated view of the inward subject-subject cognitive orientation in the form of his emphasis on agents being able to engage in a process of reasoning and self-scrutiny.

A person is not only an entity that can enjoy one's own consumption, experience, and appreciate one's welfare, and have one's goals, but also an entity that can examine one's values and objectives and choose in the light of those values and objectives. (Sen [2002](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 36)

This was connected to his understanding of the economic agent in the “older—and ‘grander’—sense as someone who acts and brings about change, and whose achievements can be judged in terms of her own values and objectives” (Sen [1999](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 19). Further, Sen supposed that developing the view of the agent as an individual able to engage in a process of reasoning and self-scrutiny naturally raised the “problem” of “the ‘identity’ of a person, that is, how the person sees himself or herself” (Sen [2002](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 215). Here, then, I turn to Korsgaard, who offers an account linking consciousness and a person's individual identity.

## The ‘Reflective Structure of Consciousness’

Korsgaard moves from the basic insight above—that individuals’ ability to consciously orient toward themselves explains how genuine action is possible–to an explanation of consciousness in terms of its reflective structure. Indeed, saying that the individual is not determined to behave as events dictate, because the individual can be the source of action by itself tells us quite little unless we can go on to say more about just how individuals consciously orient toward themselves. Further, this is precisely what is needed to produce the outlines of an account of how individuals deliberate, which in turn is central to a more realistic account of individual decision-making.

Korsgaard's account depends upon two important claims she makes to explain “the reflective structure of consciousness.” First, in addressing the object of conscious reflection or what we orient upon, she says that when individuals orient towards themselves, they do not find “within themselves” some pre-existing thing called “the self”à la Descartes, but rather encounter various conceptions they have of themselves, or more specifically different practical identities they happen to have in virtue of their different interactions with others.

The conception of one's identity in question here is not a theoretical one, a view about what as a matter of inescapable scientific fact you are. It is better understood as a description under which you value yourself, a description under which you find your life to be worth living and your actions to be worth undertaking. So I will call this a conception of your practical identity. (Korsgaard [1996](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 101)

Korsgaard's examples of individuals’ different practical identities, moreover, are what the social science literature regards as social identities: being a woman or a man, being an adherent of a certain religion, being someone's lover or friend, etc. We consequently take these to be descriptions under which we value ourselves, as she says, because we identify with others under these descriptions, and this make our association with them part of ourselves.

Second, in addressing the source of conscious reflection or our own orientation on ourselves, Korsgaard emphasizes that consciousness is always from a first-person perspective, never from a third-person perspective.

From a third-person point of view, outside of the deliberative standpoint, it may look as if what happens when someone makes a choice is that the strongest of his conflicting desires wins. But that isn't the way it is *for you* when you deliberate. When you deliberate, it is as if there were something over and above all of your desires, something which is *you*, and which *chooses* which desire to act on. (Korsgaard [1996](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 100, emphasis in original)

From a third-person point of view it may well seem that whatever action is undertaken is the product of a contest of desires, especially since the third-person point of view is naturally associated with the idea that the world is governed by cause-and-effect processes. But the first-person perspective is the perspective of consciousness of one's desires, and this separation between one's desires and one's consciousness of them means that even a strongest desire must be chosen by the individual, or “endorsed” as Korsgaard often says. Even if a strongest desire is endorsed before the individual acts, it remained open to the individual to endorse a lesser desire. For Korsgaard, then, endorsing one desire, preference, motive, or whatever we become conscious of in ourselves as grounds for action is a matter of producing a *reason* for action. As she puts it, “‘reason’ refers to a kind of reflective success” (Korsgaard [1996](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 93). Reasons, that is, explain individual action as a product of reflective consciousness.

Let us connect these two interrelated ideas. According to her first claim, our *objects of conscious reflection*, or what we orient upon when we orient towards ourselves, must be conceptions of ourselves or descriptions under which we value ourselves, “a description under which you find *your* life to be worth living and *your* actions to be worth undertaking” (Korsgaard [1996](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 101, emphasis added). That is, Korsgaard says, we orient upon our own practical identities. According to her second claim, from the vantage point of the source of our reflection, when we endorse something as *a ground for action*, such as a particular desire, preference, or motive we happen to have on some occasion, we then make that desire, preference, or motive our reason for acting. What do these two ideas together imply? When we endorse a particular desire, preference, or motive as a ground for action, we not only make that desire, preference, or motive a reason for action, but we also make it a reason for action within “a description under which you find *your* life to be worth living and *your* actions to be worth undertaking.” That is, we simultaneously endorse a practical identity we possess which gives meaning to our desires, preferences, and motives. More strongly, since the inward orientation always locates some conception of one's identity, regarding a given desire as a reason for action is always framed by one of one's practical identities. Thus, our practical identities frame our reasons for acting on the basis of one desire or another.

But Korsgaard's account leaves largely unaddressed one important issue. If individuals have many different conceptions of their identities, or find they have as many different practical identities as they have different social identities, what is it that makes each of them one single individual? There is a suggestion of an answer to this question from Korsgaard in the idea that the “reflective structure of consciousness” results from the individual's own deliberation—we might say that individuals *make* themselves single persons by constructing their identities in the process of reflection. But more needs to be said about the different meanings of the concept of identity if we are to produce an account of the identity of the individual as a whole using this idea.

# Personal Identity as Narrative Identity

In this section, consequently, I attempt to give a fuller understanding of the concept of identity. First I add to Korsgaard's distinction between first-person and third-person points of view a further distinction between first-person singular and first-person plural points of view. I then combine these two distinctions in such a way as to both differentiate and relate the concepts of personal identity and individual identity via their respective connections to the concept of social identity. Individuals’ personal identities, I claim, are constructed by individuals themselves, while their individual identities are socially constructed in terms of their different group memberships. Yet because people socially identify with others, individuals draw on their socially constructed individual identities in constructing their personal identities, thus making the former part of the latter. Second, I explain the form individuals’ personal identities take as their narratives about themselves, and argue that individuals’ construction of their personal identity narratives exhibits a tension associated with their combination of different types of identity content.

## Language Forms and Forms of Identity

The most familiar identity concepts are those of personal identity and social identity. If we suppose there are different kinds of narratives associated with these two different identity concepts, we might distinguish narratives individuals construct about themselves—“personal identity narratives”—typically expressed in “I” language from narratives they have about how they identify with others—social identity narratives—typically expressed in “we” language. Korsgaard's analysis of the “reflective structure of consciousness,” with its emphasis on the first-person perspective helps us with the idea of personal identity narratives. However, while she takes many of our practical identities to be associated with social identities, she does not go on to link this to “we” language. In fact her distinction is between the first-person singular and third-person points of view, whereas the identity distinction above is between first-person singular and first-person plural points of view. Let me suggest, then, how these two different perspectives can be linked via the first-person plural “we” language used to express our social identities or identifications with others.

For Korsgaard, the third-person point of view lies outside the deliberative standpoint which the reflective individual exercises, and constitutes the standpoint taken towards objects in the world. Social groups with which individuals identify are one such object, as shown by social science and much social discourse that treats social groups in third-person terms. I suggest, then, that individuals’ own social identity narratives, which are expressed in first-person plural “we” language, function as a link between the first-person singular and third-person points of view, because the “we” language individuals use includes implicit reference to themselves, which brings in Korsgaard's reflective stance, and yet also includes implicit reference to the groups to which the use of “we” applies, which as one kind of social object is properly described in third-person terms. Thus “we” language plays a hybrid role intermediate between the individual and the group, and thus between Korsgaard's first-person and third-person points of view.

But also note that while first-person plural “we” language links Korsgaard's first-person and third-person points of view, this enlarged framework also transforms the first-person point of view by implicitly making the third-person point of view a part of it. Social identity is standardly understood to be a matter of individuals’ identifying with others seen to be members of groups. As such, these others with whom an individual identifies must be understood in third-person social science/social discourse terms. But this designation also applies to the individuals who are doing the identifying, who *by virtue of their identifying with others also become members of the groups that are the object of social science/social discourse*. Thus, when individuals use “we” language and identify with others, and, in Korsgaard's understanding act under “descriptions under which they value themselves,” they rely on a third-person characterization of themselves as members of the groups with which they identify in their own reflective, deliberative process. Korsgaard calls these descriptions under which individuals value themselves their practical identities. These practical identities are also individuals’ socially constructed social identities. Individuals’ use of “we” language incorporates these third-person characterizations into their conceptions of themselves, and accordingly the concept of social identity combines the first-person and third-person points of view.

Tying together Korsgaard's first-person/third-person framework via the first-person singular/first-person plural link in this way, then, has important implications for our understanding of the concept of personal identity. Personal identity sometimes seems to be solely a matter of how the individual elects to combine personal identity narratives and social identity narratives. But the enlarged framework we now have before us makes third-person socially constructed accounts of the individual deeply intrinsic to their personal identity narratives. To get a sense of what is involved, consider for a moment the weight played by third-person accounts of individuals in the relatively recent human historical project of classifying individuals into groups in modern science science/social discourse. Specifically, suppose for the sake of argument we date the beginnings of the modern history of the individual from the time at which societies began to require that individuals adopt surnames. From this perspective this history can be seen as the creation and development of a vast set of material/conceptual processes used to define and characterize individuals in third-person terms with the “individual identity” tool used to track and re-identify individuals across change for a whole variety of different reasons: legal responsibility determination, rights elaboration, market contract compliance, pension and social services delivery, medical treatment, education and training, birth and death verification, experimental investigation, and so on. Parallel to these multiple ways in which individual identity concept is constructed, moreover, there are also all the technologies used as tracking mechanisms for individuals: names, number assignments, biometric techniques (photographs, fingerprints, DNA identification, dental records, etc.), surveillance, and incarceration or institutionalization. In this history, it is the individual identity concept clearly, not the personal identity concept that is foremost and central, in the construction of individuality.

All of this, then, seems quite removed from any concept of “personal” identity motivated by the first-person perspective and Korsgaard's analysis of individuals as reflective and deliberative. One could consequently simply abandon this “personal” perspective on identity, but this would seem to be a mistake from the point of view of our ordinary intuitions about there being something important to being individuals in the first-person perspective. Moreover, one can argue that individuals have “learned” to construct their own personal identities as analogues to the social construction of their individual identities, and thus that the concept of personal identity is an historically emergent outcome riding in the train of the larger social historical project of social classification of individuals. The more reasonable strategy accordingly seems to be to distinguish between the concepts of personal identity and individual identity, reject the idea that personal identity reduces to a sum of individual identities, and proceed by investigating how the latter concept has become part of the former via individuals’ efforts to combine their personal identities and socially identities. I do this, then, through an analysis of personal identity as a particular kind of narrative identity.[6](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)

## Personal Identity as a Kind of Narrative Identity

The term “narrative” in the most general sense means a discursive account whose elements lack meaning apart from their overall organization in that account. Alternatively, a narrative is a discourse governed by a principle of interpretation or method of *Verstehen*. Conventional positivism in science and especially in economics of course assumes that interpretation can be fully or largely set aside in a scientific practice which merely aims to organize given evidence, but this view seems to contradict itself. The issue, rather, seems to be what kinds of interpretive principles are appropriate to the subject matter of economics. I rule out one popular idea, the narrative as a story, since it allows narratives to be fictional and imaginary, and because narrative as story allows for a wide variety of views of temporal order. A better model, I suggest, is historical narrative, because of its realist character, and because it employs the same temporal order as economics and its representation of the order of individuals’ lives.

What kind of narratives, then, do individual economic agents produce? On the assumption that economic individuals are conscious beings, to say they act on the basis of narratives they produce is to say that they maintain narratives *specifically about themselves* which they use to determine how they choose to act in particular circumstances. That is, as accounts individuals have of themselves individuals’ narratives have a reflexive character. In terms of Korsgaard's ideas of our having a reflective structure of consciousness, individuals make choices by deliberating about how their options fall under “a description under which you value yourself, a description under which you find your life to be worth living.” These narratives are then historical in character because people typically see their lives as occurring in linear time with a “before” and “after” and with a “past,”“present,” and “future.”[7](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)

The issue, then, is how individual narratives produce personal identities. Narratives by definition are discourses governed by a unifying principle, and for individuals the narratives they produce in first-person reflective terms are accounts they have of themselves. Individuals’ narratives about themselves are thus what they regard as their personal identities, or their identities as they themselves see them. Unlike their individual identities, which are determined socially by others, individuals’ personal identities are determined individually (albeit under the influence of social conceptions of their individual identities). This implies that, as individuals’ narratives about themselves change over their lifetimes, so also do their personal identities, or how they see their identities. In contrast, their individual identities are socially constructed by others so as to be essentially unchanging over their lifetimes, since the social processes which govern these third-person accounts aim to consistently track individuals through change. Accordingly, we should characterize the individual process involved in constructing personal identity differently from the social process involved in constructing individual identity. On the grounds that narratives are discourses governed by a unifying principle, producing a personal identity seems best characterized as a special human capability associated with being able to maintain a coherent, unified narrative or discourse about oneself. Clearly there are greater or lesser degrees of success that can be exercised in doing so, and such a capability is different in nature from other types of capabilities individuals can possess. Two additional points regarding the nature of this special capability follow from the previous discussion.

First, as Korsgaard's framework was expanded above to include the distinction between first-person singular and first-person plural perspectives, so individuals’ personal identity narratives should be seen to include *both* their personal identity discourses and social identity discourses. That is, individuals’ narratives about themselves are not just about how their personal experiences cohere, but are also about how their experiences in interaction with others are part of the narratives they produce about themselves. Second, as first-person plural “we” language was argued to mediate Korsgaard's first-person and third-person points of view, and make the individual both a reflective subject and also a member of the group, individuals’ personal identity narratives about themselves also include social, the third-person perspectives about themselves. In effect, individuals’ accounts of themselves are not pristine in the sense of being subjectively isolated from others’ judgments of their identities, but have embedded in them others’ accounts of their individual identities.

The Arab-French novelist Amin Maalouf gives us a sense of the complexity involved in individuals’ personal identity narratives thus understood in describing an individual who before the recent Balkan war called himself a Yugoslavian, during the war called himself a Muslim, and after the war called himself a Bosnian (Maalouf [1998](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 12). To label and re-label yourself in this way as this person does is in the first place a matter of adopting a succession of social identities in response to the circumstances of the war and in reflection about who one believes one is. Thus, individuals’ personal identity narratives combine both the first-person singular and first-person plural points of view. But, second, the war was also a social process that branded people as being of members of different social groups, and thus it also framed individuals’ reflection on who they were and which groups they chose to identify with, particularly as they adopted strategies of resistance or accommodation to these attempts to determine their individual identities for them.

I return to the issue of the nature of the relationships between personal identity, individual identity, and social identity in the fourth section. The next section, however, takes up a prior matter central to further elaboration of the narrative conception of personal identity, namely how individuals revise their personal identity narratives. For this I turn to the excellent recent work of Pierre Livet.

# Revising Personal Identity

Livet ([2006](https://www.tandfonline.com/doi/full/10.1080/00346760802431009), [2004](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)) does not employ a narrative conception of personal identity, but he nonetheless shares with the argument above the idea that individuals revise their personal identities over their lifetimes. Indeed, he argues that the idea of an unchanging personal identity is incompatible with the idea of individual freedom. Being free or autonomous beings involves not only making choices regarding the options one confronts, but also involves making choices regarding “who” one is when confronting those options. If this “who” is fixed, then “the price is the loss of one aspect of autonomy” (Livet [2006](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 328). Consequently, preserving autonomy regarding choices that determine “who” one is implies that this “who” one is can change with one's choices, and thus that personal identities change.

Livet's understanding of autonomy arguably also shares with the discussion above the idea that individuals reflexively evaluate themselves. He not only says that we make choices in which we revise “who” we are, but he also says that we make choices that reverse these revisions. This suggests that individuals operate with something like working conceptions of themselves, since at the very least being able to reverse their past revisions about “who” they are seems to require knowing “what” one is getting back to and “what” one is giving up in doing so. Thus, Livet explains our being able to revise and reverse ourselves as a matter of our exercising a reflexive “second-order capability,” a “capability of reorganising our paths of choice and the evaluation of our steps of action” (p. 340), which we might also associate with individuals having working conceptions of themselves. Drawing on Sen's capability framework, Livet sees this second-order capability as that which we exercise when we decide how to revise and reorganize the set of capabilities or functionings we choose to possess. These specific first-order capabilities or functionings can be understood as elements in individuals’ working self conceptions. Altogether, this is very much like Korsgaard's understanding of practical identity “as a description under which you value yourself” (Korsgaard [1996](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 101).

## Choices Over Sets of Functionings

The “starting point” for Livet's analysis of how people revise their personal identities, consequently, is “the set of functionings” that individuals recognize they possess, and, he adds, their “preferences or priorities over these functionings” (Livet [2006](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 331). Our “preferences or priorities” tell us what values we place on our different functionings, reflecting our past commitments to one set of functionings or another. Then, to explain how individuals revise their personal identities, Livet distinguishes between arbitrary and non-arbitrary choices. Arbitrary choices are ones without the backing of serious reasons, or choices which one can reverse without revising one's way of living. Non-arbitrary choices, in contrast, are those for which one is prepared to accept the consequences of the revisions they impose on one's life, and indeed choices for which one is prepared to “a reverse revision … to come back to my previous choices” (p. 329). Non-arbitrary choices, then, secure personal identity, albeit a changing one. In contrast, arbitrary choices essentially undermine personal identity, because they rule out there being any coherent governing principle in what I have treated as individuals’ personal identity narratives.

The issue that concerns Livet, therefore, is how individuals making non-arbitrary choices about new functionings they wish to have are able to sort out the different pathways these new choices impose upon them. Consider the relatively simple case in which “choosing one of these functionings may have irreversible effects on the quality of other functionings from which we can choose” (p. 330).

In this case we will have to assess how our commitment to this functioning for a certain time increases or decreases the value of this functioning, and how the inactivation of another functioning during this same time decreases or increases the value of the inactivated functioning. However, the estimation of the value of one functioning in a capability set depends also on the future consequences of the chosen functioning, including the revisions that foreseeable changes of the world and new information will require, and including the possible effect of such revisions on the retrospective evaluation of the functioning previously chosen. For example, if I choose to be a professional sportsman, it will be impossible to be later a prominent researcher in mathematics …. When I reach 40 years old, maybe I will regret my choice and assess negatively my past career of sportsman. (Livet [2006](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 330)

This sort of indeterminacy, Livet goes on to argue, implies that individuals have two broad types of future pathways they can map out for themselves, both consistent with being autonomous beings: one where individuals’ past commitments do not limit their future commitments to new functionings (thus producing a kind of autonomy that emphasizes variety) and another where their commitments to new functionings reinforces their positive valuation of them (thus producing a kind of autonomy that emphasizes involvement in a way of life). But this, Livet suggests, creates a problem for the idea that individuals even have personal identities. If two quite different pathways are both possible, it is not clear that individuals actually *revise* their personal identities rather than simply find them different as a result of their choices. Then, however, the idea that there even exists anything we might call a personal identity produced by individuals through their choices itself becomes questionable.

## Continuity-constraints

The solution to this problem for Livet is to further explain how individuals revise their personal identities by placing constraints—*continuity-constraints*—on how they may be thought to do this, thus making it possible in principle to show why some individuals pursue the “variety” pathway and others the “involvement” pathway (and indeed why the same individuals might pursue either pathway in different circumstances). That individuals exhibit continuity in their choices over new selected functionings, then, is really a necessary condition for saying that they have personal identities at all. Livet assumes that individuals generally seek to maintain personal identities, and consequently that they themselves place continuity-constraints on their choices. Individuals, that is, pursue “justified paths of revision” for themselves (p. 331) in order to maintain their personal identities.

I will not discuss in detail Livet's analysis of the continuity-constraints individuals place on their choices, but simply note the two constraints he discusses to give a sense of his approach. First, he makes use of the idea of “epistemic entrenchment” (Gärdenfors [1988](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)) to account for individuals’ concern with consistency in their beliefs and expectations. Since the choice of a new functioning changes a person's situation, and since this change can generate expectations at odds with past expectations, individuals need a method for revising their expectations. The idea behind “epistemic entrenchment” is that they tend to remove their least entrenched beliefs. Thus one continuity-constraint concerns justified epistemic revision. Second, since we place value on our commitments to different sets of functionings, we are also “emotionally linked to any functioning-evolution,” so that when “we revise our beliefs, we also have to revise our affective evaluations of the situation” (p. 332). Thus a second continuity-constraint concerns justified revision of our preferences and priorities.

Livet's further analysis in terms of these two continuity-constraints, then, examines how individuals might address sequences of choices about what functionings they wish to have. (His example is of an individual considering becoming a mathematician or a Himalayan mountain climber.) He concludes:

In summary, our overall comparison between the two paths cannot be done except if: we imagine the successive steps of actions, including the required revisions, namely first the epistemic and then the affective one, stage by stage for each step, qualify each step as a step of a justified path of revisions or not, and revise retrospectively from the point of view of the final step the latest evaluation. (p. 339)

My goal here is to emphasize his conclusions about personal identity as a capability. As noted at the beginning of this section, Livet frames his analysis in terms of individuals’ freedom and autonomy, pointing out that if individuals’ identities are fixed, they cannot be free. But the fuller dilemma he recognizes we face, is that individuals are also not free if they don't have personal identities, since without them they could not be said to be meaningfully pursuing particular pathways through life, such as having greater “variety” in their functionings or more “involvement” with some. Thus his analysis provides a basis not only for freedom and autonomy, but also for the concept of personal identity. Understood as a kind of narrative identity, then, individuals’ personal identities can be seen to be something they produce and reproduce throughout their lives. In the following section I relate this individual process to the various social processes that produce different accounts of individual identity.

# Social Identity and Social Scaffolding

Given the interpretation of personal identity as narrative identity, in this section I summarize the differences between the concepts of personal identity and individual identity, and then make four summary points about their relationship. I then relate these points to the question of individuals’ social identities, and finally interpret this analysis from the perspective of Clark's idea of social scaffolding.

## Personal Identity and Individual Identity

What are the differences between the concepts of personal and individual identity? First, as noted above, the personal identity concept has its basis in first-person singular speech, and individual identity concept has is basis in third-person speech. In the former case, individuals *speak from* a single perspective, but in the latter case individuals can be *spoken of* from as many perspectives or in terms of as many conceptions society has of the identity of individuals. Some might wish to argue that these two different points of view are not all that different, since individuals can speak of themselves from many perspectives, and indeed it seems to be an open question whether individuals ever succeed in making different views they may hold of themselves really cohere with one another. Nonetheless, the first-person singular perspective is still manifestly different from the third-person one in that the former arises out of one location while the latter arises out of many locations. Thus, however successful individuals may be in keeping one more or less whole account of themselves, at least their occupying single locations imposes a unifying logic upon them, whereas social accounts of individual identity, as rooted in a variety of spatially distributed different social systems, lack any comparable centralizing or organizing principle. Consider the following social conceptions of individual identity and their rationales: voter identification records, used to prevent duplicate voting; health records, used for applying consistent health therapies; educational performance records, used for determining training and employment; pension system accounts, used for balancing contributions and retirement incomes; credit ratings, used for personal finance evaluations; biometric identifications, used for a variety of purposes. Each of these individual identity systems occupies distinct (although sometimes overlapping) social spaces, while their different rationales preclude their respective conceptions of individual identity from being reduced to one another.

Second, the difference in the points of view of two concepts also distinguishes them in terms of what they refer to as concepts. The different conceptions of individual identity we find in society refer to *states* attributed to individuals by third parties as objects to be characterized in one way or another (that they have certain identifiers or possess certain identifying records). Since these characterizations are the product of slow-changing social systems, they tend to be slow-changing themselves (as reflected by the examples above). In contrast, the concept of personal identity, in the sense discussed in the second section above as the individual's self narrative, refers to an *activity* of the individual seen specifically as an agent. This activity indeed results in individuals having their own characterizations of their personal identities, but these characterizations are of individuals as subjects and as sources of activity, and thus build in the idea of potential for change—or more accurately potential for self change. Thus, in addition to the concepts of personal and individual identity differing in terms of their places of origin, they also differ in terms of kinds of things they are.

Let me, then, list four points these two differences seem to imply about the relationship between the concepts of personal and individual identity:

1. Personal and individual identity conceptions may conflict.
2. Individual identity conceptions are more stable than personal identity ones.
3. Individual identity conceptions tend to constrain personal identity ones.
4. Personal identity is not reducible to individual identity.

I will apply these points below to explain the nature and role of individuals’ social identities (emphasizing points one and three) and to explain the idea of there being a kind of social scaffolding for individuals’ production of their personal identities (emphasizing points two and four).

## Individuals' Social Identities

I have explained the concept of social identity as a link between the first-person and third-person points of view on the grounds that it brings those perspectives together. The concept of social identity also, we now see, links individuals’ personal identities and individual identities. Thus individuals’ social identities create conflict between their personal and individual identities, while also generating constraining effects on the former on the part of the latter.

This argument is most clear when we focus on the leading social psychology approach to social identity known as “social identity theory” (cf. Brown [2000](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)), as associated with the work of Henri Tajfel and John Turner.[8](https://www.tandfonline.com/doi/full/10.1080/00346760802431009) The argument of Tajfel and Turner is that individuals adopt images of themselves that reflect social categories generated in social discourse and social science classification systems. Individuals then alter their behaviors toward others according to whether others share the same social categories. Tajfel defined social identity as “the individual's knowledge that he belongs to certain social groups together with some emotional and value significance to him of his group membership” (Tajfel [1972](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 292). Turner subsequently developed an extension of this view in the form of “self-categorization theory” ([1985](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)). As their analysis treats social categories as social constructs, it fits the account here of the concept of social identity as a link between the first-person and third-person points of view, though they place little emphasis on the concept of personal identity and the first-person perspective.

Many, of course, have said that individuals’ social identifications can produce social conflict and social tension (e.g. Maalouf [1998](https://www.tandfonline.com/doi/full/10.1080/00346760802431009); Sen [2006](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)). The point here is slightly different, namely, that individuals’ social identifications create *conflict and tension* between their individual identities as group members and their own personal identity conceptions. As group members, individuals have an object status created by others put forward as their identities. In producing their personal identity narratives, however, they are involved in explaining to themselves how their actions commit them to social groups. It need not be the case, of course, that this lack of alignment always generates conflict. But that the two types of processes are different certainly creates that potential.

At the same time (putting aside the issue of conflict), the pervasiveness of individuals’ social identifications and their attendant individual identity conceptions constrain the freedom they are able to exercise in producing personal identity narratives. Indeed, when individuals form personal identity narratives, their content often clearly reflect their social roles and identifications with others. While I argue below that individuals’ personal identities cannot be reduced to their individual identities, this does not imply that the content of individuals’ personal identities has origins independent of the content of their individual identities. Whether or not this is the case raises difficult philosophical issues that need not be sorted out for my purposes here. Rather, it is sufficient to state the obvious: society's conceptions of individual identity *constrain* or limit the degrees of freedom individuals can exercise in producing personal identities for themselves.

Points one and three together then make a case for supposing personal identity does not bulk large in individuals’ behavior. That is, individual behavior can generally be understood as average behavior, implying a macroeconomic type of orientation to be more appropriate. The opposite case, however, emerges when we consider points two and four.

## Social Scaffolding

Clark's ([1997](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)) work applies insights from research in artificial intelligence and neural network theory to explain how human agents interact with their environments in a manner he terms “embodied, active cognition.” Human brains as parallel rather than serial processors, he argues, are not very good at some things (such as lengthy forms of mathematical calculation), and fairly good at others (such as pattern recognition). As a result weaker human cognitive functions have tended to be relocated to external (prosthetic) devices (ranging from written notes to advanced computers) that increase efficiency there while allowing greater focus on stronger human functions. Clark labels these former functions when they are thus relocated as “scaffolding,” where this is the idea of an external structure supporting internal cognition.

Clark's argument is framed by his concern with the nature of the human mind, but we can also frame it in a social-institutional way. That is, social institutions create scaffolding for a variety of human activities that cannot be carried out very well (if at all) by individuals in thin institutional environments. As in Clark's argument, social-institutional scaffolding is not purely external to individuals in that they have been responsible for creating it, are influenced by it, and are able to modify it as they monitor how well it facilitates their activities. This close interactive relationship thus effectively embodies human activities in social structures.

In the context of the discussion here, social processes that create individual identities effectively operate as social scaffolding for personal identities. Assuming that the content of individuals’ personal identity narratives at least strongly reflects the content of society's various accounts of individual identity, those latter accounts provide parameters for the former. Clark's argument is that human beings have externalized various cognitive functions in order to improve them. On this view, the various conceptions of individual identity are externalizations of personal identity narratives that are more systematically developed through social processes. Take as an example educational performance records. If we suppose that personal development is a concern in individuals’ personal identity self narratives, then social construction of structures used to organize the concept of personal development provides scaffolding for this purpose. Put in terms of point three, social accounts of individual identity can *stabilize* individual accounts of personal identity.

Finally, the social scaffolding idea relies on a strong contrast between structure and agency in that a scaffolding is a structure created by agents. In terms of the distinction between individual identity and personal identity, conceptions of the former should indeed by characterized in object language and conceptions of the latter characterized in subject language. This implies that neither concept is reducible to the other, or that the idea of an agent able to carry out activity is *not reducible* to the idea of something determinately characterized in terms of its states or properties (point four). Thus, in the balance vis-à-vis points one and three—that a case for supposing personal identity does not bulk large in individuals’ behavior—the conclusions regarding social scaffolding argue that personal identity does constitute a significant dimension of our understanding of individuals.

# Conclusions

The argument of this paper is long, but its conclusions can be summarized briefly in terms of the thinking of the three individuals emphasized: Korsgaard, Livet, and Clark. The first section argued that individuals need to be understood as deliberative, reflexively conscious beings if they are to be thought of as agents not determined by their circumstances. This basic idea was elaborated in terms of Korsgaard's idea of a “reflective structure of consciousness.” This basic idea of an agent allows us to consider how we might understand the identity of the individual. The second section then used forms of language to differentiate the concepts of personal identity and individual identity, and showed their linkage through the concept of social identity. Personal identity was then interpreted as a particular kind of narrative, understood as a special capability of individuals that can be more or less well exercised. But if individuals exercise a capability for producing personal identity narratives, this requires we say something about how those narratives change and develop. The third section accordingly reviewed Livet's understanding of how individuals revise their personal identities in order to explain the nature of the dynamic involved. The upshot of Livet's account is that neither freedom nor personal identity can be understood unless combined in a continuity framework. The fourth section again took up the distinction between personal identity and individual identity, and summarized four main points regarding how they are different and related. Key here is the interpretation of the concept of social identity and emphasis on the idea of social scaffolding. Thus, the argument drew on Clark's concept of social scaffolding to characterize the role of social frameworks supporting individuals’ determination of their personal identities.

The goal of this paper was only to attempt to set out foundations for an adequate concept of the individual economic agent. Much thus remains to be done to show that it is useful in explaining individuals’ long-term choices regarding such things as education, pensions, health care, and insurance. The historical development of economic life makes long-term consumption increasingly central, and this demonstrates the need for an understanding of the individual as an enduring agent. Much yet remains to be done, however, to show that the view set out here helps us bring ethics and economics closer together. Yet as both goals seem especially important to economics today, it is hoped that this starting point will contribute to progress in addressing each.

# Acknowledgements

Thanks go to Wilfred Dolfsma, Matthias Klaes, Pierre Livet, Robert McMaster, Miriam Teschl, Mark White, and two anonymous referees for comments on a previous version of this paper; also to Sheila Dow and the participants in the University of Stirling October 2005 SCEME workshop.

**Notes**

1. I do not follow Korsgaard in the Kantian implications she draws from her analysis.

2. As Searle puts it: “*Agency requires an entity that can consciously try to do something*” (Searle [2001](https://www.tandfonline.com/doi/full/10.1080/00346760802431009): 83, emphasis in original).

3. Note that in philosophy the term consciousness is generally used to refer to awareness per se without any particular element of self-evaluation. Here I depart from that meaning to treat consciousness as including an explicit orientation toward oneself. I owe this point to an anonymous referee.

4. See George ([2001](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)) for a more recent insightful use of meta-preference analysis.

5. Among the problems the meta-preference idea encounters is the infinite regress problem: the possibility that there are further meta-preferences over meta-preferences, and so on.

6. See Schechtman ([1996](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)) and Ross ([2005](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)) for two additional approaches to personal identity as narrative identity.

7. Although there are other conceptions of time that individuals employ in their self narratives, for example cyclical, ancestral, and episodic, these conceptions do not seem appropriate to the subject matter of economics.

8. Akerlof and Kranton ([2000](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)) introduced the ‘social identity approach’ into economics (cf. Davis [2007](https://www.tandfonline.com/doi/full/10.1080/00346760802431009)).

# References

1. Akerlof, G. and Kranton, R. 2000. “Economics and Identity,”. *Quarterly Journal of Economics*, 115(3): 715–753.  

2. Brown, R. 2000. “Social Identity Theory: Past Achievements, Current Problems and Future Challenges,”. *European Journal of Social Psychology*, 30: 745–778.  

3. Clark, A. 1997. *Being There: Putting Brain, Body and World Together Again*, Cambridge, MA: MIT Press.  

4. Davis, J. 2007. “Akerlof and Kranton on Identity in Economics: Inverting the Analysis,”. *Cambridge Journal of Economics*, 31(May): 349–362.

5. Gärdenfors, P. 1988. *Knowledge in Flux*, Cambridge, MA: MIT Press.  

6. George, D. 2001. *Preference Pollution: How Markets Create Desires We Dislike*, Ann Arbor, MI: University of Michigan Press.  

7. Korsgaard, C. 1996. *The Sources of Normativity*, Cambridge: Cambridge University Press.  

8. Livet, P. 2004. “La pluralité cohérente des notions d'identité personnelle,”. *Revue de Philosophie Economique*, 9: 29–57.  

9. Livet, P. 2006. “Identities, Capabilities, and Revisions,''. *Journal of Economic Methodology*, 13(3): 327–348.  

10. Maalouf, A. 1998. *Les Identités Meurtrières [In the Name of Identity], trans. B. Bray, 2000*, Paris: Grasset. 

11. Ross, D. 2005. *Economic Theory and Cognitive Science: Microexplanation*, Cambridge: MIT Press.  

12. Schechtman, M. 1996. *The Constitution of Selves*, Ithaca, NY: Cornell University Press.  

13. Searle, J. 2001. *Rationality in Action*, Cambridge, MA: MIT Press.

14. Sen, A. 1977. “Rational Fools: A Critique of the Behavioral Foundations of Economic Theory,”. *Philosophy and Public Affairs*, 6: 317–344.  

15. Sen, A. 1999. *Development as Freedom*, New York: Knopf.  

16. Sen, A. 2002. *Rationality and Freedom*, Cambridge, MA: Belknap Press.  

17. Sen, A. 2006. *Identity and Violence: The Illusion of Destiny*, New York: Norton.  

18. Stigler, G. and Becker, G. 1977. “De gustibus non est disputandum,”. *American Economic Review*, 67: 76–90. 

19. Tajfel, H. 1972. “Social Categorization,”. In *Introduction à la psychologie sociale*, Edited by: Moscovici, S. Vol. 1, 272–302. Paris: Larousse.

20. Turner, J. 1985. “Social Categorization and the Self-concept: A Social Cognitive Theory of Group Behavior,”. In *Advances in Group Processes: Theory and Research*, Edited by: Lawler, E. Vol. 2, 77–122. Greenwich, CT: JAI. 

21. Velleman, D. 1992. “What Happens When Someone Acts,”. *Mind*, 101: 461–481. 