

## HOMO ECONOMICUS

### ***Homo Economicus* Meets G. H. Mead**

#### ***A Contribution to the Critique of Economic Theory***

By DAVID WILSON and WILLIAM DIXON\*

ABSTRACT. The relation between economic behavior and morality remains a live issue within economics and cognate disciplines. The standard view among economists themselves has been that while moral positions (understood broadly) may *motivate* our behavior, they do not *capacitate* or *enable* it. On this view the figure of *Homo economicus*, representing the *how* as against the *why* of our actions, must be understood as resolutely amoral. In this article, we attempt to recover the logic of this position, as well as those of critics who would modify the standard view in some way. Although also critical of the conventional economics-and-ethics divide, we argue that *Homo economicus* would benefit from a more fundamental rethinking, one that takes account of the theory of the self and its acts, as developed by the social psychologist G. H. Mead. On a Meadian view the economic actor would neither have to grow additional capacities in order to coordinate with his or her fellows, as the evolutionary games theorist's agent has to do, nor *depart* or *deviate* from purposeful behavior, as does *Homo sociologicus*. On a Meadian view, economic capacity has to be more richly endowed than standard *Homo economicus* in order

\*Both authors have worked at what is now called London Metropolitan University in what is now called the Department of Economics, Finance and International Business for longer than either cares to recall. Their interests include the formation of political economy out of earlier discourses, its relation to modern economics, and the principles that serve to distinguish economics from other contemporary versions of social theory. They teach on, and coordinate, the University's BA degree in Politics, Philosophy and Economy (PPE). They would like to thank Laurence Moss and an anonymous referee for their encouraging and insightful comments on an earlier draft of this article. They would also like to thank Jean Cartelier, whose thought-provoking remarks on an apparently unrelated paper, delivered at the 2002 conference of the European Society for the History of Economic Thought, set the authors to work on this one.

American Journal of Economics and Sociology, Vol. 67, No. 2 (April, 2008).

© 2008 American Journal of Economics and Sociology, Inc.

to do what it is supposed to do, but it is recognizably still a single, purposeful capacity.

## I

**Introduction**

WHAT IS IT THAT MAKES the human act distinctive? For the economist, it is our capacity to deliberate. “A spider,” Marx writes, “conducts operations that resemble those of a weaver, and a bee puts to shame many an architect in the construction of her cells. But what distinguishes the worst architect from the best of bees is this, that the architect raises his structure in imagination before he erects it in reality” (Marx [1867] 1974: 174). It is this that makes his or her act “exclusively human” (Marx [1867] 1974: 174). Though we suspect that neither author would be flattered by the comparison, it is striking how closely Marx’s characterization of the human act here anticipates the basis of Ludwig von Mises’s painstaking attempt at recreating a viable economic theory from first principles (see, in particular, Mises 1996: chapter 1, section 2, paras. 1–3 incl.). Actually, we should say first *principle*, he begins his treatise: “Human action is purposeful behavior” (1996: 174).<sup>1</sup>

Economics does not claim purposive rationality to be the *only* characteristic of the human act. It also recognizes the human being as a moral creature—a creature who distinguishes right from wrong. Indeed, another way of understanding the idea of purposeful behavior is to say that we act on that distinction. For the economist, though, the point is that our morality has no *economic* significance. Economics studies the process whereby we try to realize our values, not those values as such. Moral positions (understood broadly) may *motivate* our behavior but do not *capacitate* or *enable* it. And since economics studies how we are capacitated as purposeful actors—how we establish means that (we hope) will further our (admittedly moral) ends—a consideration of the moral aspect of human behavior has no place in a distinctively economic inquiry.

On this view, then, *Homo economicus*—economic man—is a misnomer. For the *Homo economicus* that the modern neoclassical theorist has in mind is not a form or type of human being but rather an

abstraction from it: it is human being considered in regard to its economic aspect or capacity. Those who criticize economics for assuming an actor with unduly base motives are therefore wide of the mark. The motives of *Homo economicus* cannot be either base or noble for the simple reason that, while motives may bring capacities into play, capacities as such do not have motives. The actions of *Homo economicus* can no more be judged immoral than can a Stradivarius be blamed for making a bad tune. But two wrongs do not make a right. The conventional economic view—that the moral aspect of human behavior has no place in economic analysis—does not follow from the fact that it claims to attend to capacity rather than motive. If, as we will want to argue below, our capacity for somehow co-coordinating our diverse ends is itself an essentially moral-ethical capacity, then conventional economic theory is mistaken: for in that case, our status as moral beings, notwithstanding the means-ends dichotomy, should be a matter of concern to the economist.

The nature of the relation between economic activity and moral-ethical behavior remains a live issue, both within economics itself (see, for example, Akerlof and Kranton 2000) and in related disciplines. Sociology, especially, has taken an interest in the possibility that the discipline of economics itself has played a formative role in the behavior that it purports to study (see Mackenzie and Millo 2003). In general, though, much of the discussion lacks clarity because of a failure to agree on the characteristics of the actor at the center of economic analysis. In the literature, *Homo economicus* ranges from the pure economic agency of high neoclassical theory to the crude formulations of the undergraduate textbook, in which the economic actor is represented as a fully fledged moral subject with (typically base) motives of its own. As we argue below, criticisms of orthodox economic theory that rest on the latter characterization badly miss the point: the neoclassicist makes *no* assumptions about the motives of the economic agent, other than that it is *somehow* motivated. Worse than this, the usual criticisms cloud what we believe should be the substantive issue here: that the *Homo economicus* of high theory is not so much badly motivated as undercapacitated.

In recent years, developments within the mainstream of economic theory itself have made the view that human actors can and do

coordinate their behavior *in virtue of purposive rationality alone* untenable. We will track those developments through to the evolutionary game theory of writers such as Binmore, who attributes the undercapacity in traditional *Homo economicus* to a missing moral sense. This is a major departure from the standard view. Traditionally, morals are seen as informing the preferences of agents, which in turn precipitate the value-neutral process that constitutes economic behavior. According to the modern moral-sense theorists, however, morals may actually help us to successfully coordinate our activities. In short, morals do not just occasion economic behavior but may also enable it. Arguably, though, the way that this insight is expressed in Binmore and the like leads to an unnecessarily complex model of the human act.

Somewhere around this point, we argue, *Homo economicus* meets G.H. Mead. On Mead's view, the basis of which we outline in Section III, we do not need a more complicated theory of the economic actor—one in which the traditional (supposedly amoral) economic competence of purposive-rational behavior is *supplemented* with some kind of moral sense—but rather a simpler theory that can account for purposive-rational behavior itself in moral-ethical terms, a theory that sees purposeful behavior itself as the exercise of an essentially ethical competence. As we suggest above, and reiterate briefly in Section IV, the issue here is not whether the human actor can and does take moral-ethical positions but whether the ethical character of the human actor has economic significance and, if so, how. Assuming, as the Meadean position does, that the moral-ethical character of our being actually enables rather than simply prompts our economic behavior renders explicable situations that, from the standpoint of a traditional *Homo economicus*, seem to make no sense.

## II

### **The Self in Economic Theory**

#### *A. Acting Naturally*

We will want to argue that neoclassical thinking is riddled with what we will call the *one-man argument*, by which we mean the (unexamined) action-theoretical presumption that human cooperation is

what one gets when two otherwise independent human operators come together or, better, when two otherwise independent human actors interact. We call it the one-man argument because it presupposes an operator before cooperators, an actor before interactors—an atomic actor, so to say. It is not essential to this argument that there are in fact operators who do not in some way cooperate, or actors who in some way do not interact. Its significance is rather in furnishing a conception of the human act that is independent of interaction. According to this way of thinking, there is first the human act and, ontologically speaking, interaction comes later onto the scene.

Neoclassicism did not invent the idea of the atomic actor. It is a persistent theme in social thought at least since the 17<sup>th</sup>-century political theorist Thomas Hobbes (1991). But appeal to the atomic actor is *the* definitive neoclassical maneuver. In neoclassicism, atomic acting is a matter of principle. Thus Walras writes: “If there were only one man in the world he would be master of all things. [But] since this is not the case, [and] as long as every man in the world is just as much a person as everyone else, [with] each equally responsible for the pursuit of his ends and for the fulfillment of his destiny, all these ends and aims have to be mutually *coordinated*” (Walras 1954: 62, emphasis in original).

Walras’s emphasis is revealing. Examples of cooperation within and across species abound. Think of the complex interaction exhibited by a colony of ants. Or again, there are smaller species of fish that survive by picking parasites from the backs of much larger fish. But ants and fish cannot coordinate because they cannot ordinate. What Walras wants to emphasize is that we are (potentially) *co-coordinating* beings because we are in the first instance *coordinating* beings, and coordination is the “mutual” process of bringing our diverse ordinations into line. In Walras’s exposition an auctioneer does this for us, inserting your plan into my plan (and vice versa) via a price list that is adjusted until all of our plans cohere. For Morgenstern, however, Walras has hit upon a special case of a more general phenomenon because as *interactors* we naturally do this for ourselves, always already building the expectations and possible reactions of others into our plans. It is this insight that leads him to study “games of strategy” as a way of

“find[ing] the mathematically complete principles which define rational behavior for the participants in a social economy” (Morgenstern 1974: 31). In the same vein, Aumann recommends games theory as a “sort of umbrella or ‘unified field’ theory for the rational side of social science, where ‘social’ is interpreted broadly, to include human as well as nonhuman players (computers, animals, plants). Unlike other approaches to disciplines like economics and political science, game theory does not use different, ad hoc constructs to deal with various specific issues, such as perfect competition, monopoly, oligopoly, international trade, taxation, voting, deterrence, and so on. Rather, it develops methodologies that *apply in principle to all interactive situations*, then sees where these methodologies lead in each specific application” (Aumann and Hart 2002: 1; Eatwell et al. 1987: 460). But, “specifics” aside, what is “fundamental” to the interactive view, according to Ross, is that we “distinguish between acting *parametrically* on a passive world and acting *non-parametrically* on a world that tries to act in anticipation of these actions” (2001: 4, emphasis in original). It is as if the appearance of others (literally) interferes with the arche-acting of the one-man; he is no longer “master of all things.” Fortunately, though, those faculties of “perception” and “cognition” (Walras 1984) that condition the possibility of our arche-actings also enable us to manage this interference. Now I build your plan into my plan (and vice versa), and this is how we bring off the cooperative act.

To reiterate. The idea of atomic acting did not originate with neoclassicism. What is new in neoclassicism, though, is that one-manism becomes a matter of principle, and its proponents see it as their vocation to exorcise occult elements from social thought. Thus von Mises: There are no “mysterious mechanical forces” at work in society; there are “[n]o ‘automatic’ and ‘anonymous’ forces” to consider because “every human action means planning.” Either we coordinate, by which is meant the “democratic process of the market in which every individual has his share”; a sociality constituted by “people . . . execut[ing] . . . their own plans.” Or for this meeting of many minds is substituted the ordination of just one: “It is the substitution of the planner’s own plan for the plans of his fellowmen . . . he aims at the absolute preeminence of his own plan” (von Mises 1947: 29). On this view either we respect the plans of others or

we do not, but in either case our cooperation consists in the many operating in atomic mode, “men consciously aiming at ends chosen and deliberately resorting to definite means for the attainment of these ends.” Of course, if we are to attain these ends then I’d better plan for your plan, and vice versa. But still there is just “you and I and Bill and Joe and all the rest” (von Mises 1947: 29), doing what comes naturally: acting atomically.

### *B. Normal Behavior*

#### *1. Ethical Orientation*

“If there were only one man in the world then he would be master of all things” (Walras 1954: 62–63). He would also, as a matter of definition, be without ethical orientation. In a world of one, he could be neither concerned with nor influenced by others. He would be narrowly self-interested but, given his situation, he could not be otherwise.

We hardly recognize ourselves in this lonely figure. Unlike the one-man, we cannot help but be ethically oriented, each of us being one among many. I may, for example, be the kind of person who has a concern for Bill’s welfare or, again, feel better if seen in a certain light by Joe. Even if I am not that kind of person, even if Bill’s welfare and Joe’s gaze leave me cold, then that too is an ethical orientation. On this view, the fundamental problem with the neoclassical approach is that it has surreptitiously introduced into an irreducibly ethical environment an actor who has, by construction, no sense of other.

The problem, Etzioni maintains, is that we need to recover those motives that might at least explain apparent divergences from the supposed behavior of the egoistic self of neoclassical theory. He comes directly to the point when he complains: “Neoclassical economists view man as a two-legged calculator, efficient and cold blooded” (Etzioni and Lawrence 1991: 3). The self, he claims, should be regarded as a more complicated entity, a more or less muddleheaded creature, partly selfish, partly morally dedicated, a creature always defined in groups and hence by contexts with beliefs installed from others. Individuals, so defined, are “torn between their urges and their values” and sometimes “their urges win, sometimes their conscience” (1991: 5).

Sen likewise wants to challenge the realism of the assumptions that underpin the textbook neoclassical self. For Sen the very structure of economics, favoring as it does prediction at the expense of welfare considerations, rests on the presumption that human behavior is irreducibly selfish (Sen 1988: 29), and he sets out to show that economics would be more productive if it were to pay “greater and more explicit attention to the ethical considerations that shape human behavior and judgment” (1988: 9). In characterizing the human self as essentially egoistic and its rationality as slave to the Humean passions, neoclassicism effectively treats “ethical” behavior as irrational. It is this prevailing contrast between a rational “selfish” behavior and an irrational altruism that Sen is not prepared to accept. It ignores the intermediate relations lying between concern for oneself and concern for others. There are intermediary groups lying between the individual and larger society, each drawing on the loyalty of its members in such a way that the accounting of personal sacrifice and personal fulfillment becomes a more complicated affair than that allowed for by a narrow egoism.

For Sen, the real issue is “whether there is a plurality of motivations, or, whether self-interest alone drives human beings” (1988: 19). Sen himself comes down in favor of an “ethics-related view of motivation” (1988: 15). The orthodox view obscures the possibilities in part because it makes nothing of the difference between agency, the capacity to form goals, and one’s own material well-being. In collapsing the former into the latter, in taking agency as nothing more than the means to personal well-being, crudely defined, other group-related commitments are given no room to move. For Sen’s own project, with its focus on capabilities and functionings, it is important that the self is credited with a richer diet of concerns than that of the textbook agent, and giving ethical orientation its due has enabled Sen to make significant contributions to the theories of welfare and development. But how is this “plurality of motivations” held together? Or how, for that matter, is the victor determined in Etzioni’s battle between primal “urges” and socially instilled “values”? As Lawrence admits, though “strong in terms of grounded empirical data . . . [s]ocio-economics is weak in terms of unified theory” (Etzioni and Lawrence 1991: 9), a “weakness,” one should add, that shows itself in the barely

coherent concept of a self that acts selflessly, of a self that acts but not out of self-interest.

Yet the idea of ethically oriented actors need not make the postulate of a unitary self-interested behavior aporetic. Akerlof and Kranton get to the heart of the matter in proposing that “people have identity-based payoffs derived from their own . . . [and] others’ actions” so that “behavior that *appears* detrimental . . . maladaptive or even self-destructive *by those with other identities* . . . may be to bolster a sense of self or to salve a diminished self-image” (2000: 717, emphasis added). As Akerlof and Kranton (2000) argue, it is not that, from the perspective of prediction and policy objective, human motivation is too complicated an affair to be handled within the confines of a concept of self-interest, but rather that the concept of self-interest itself needs to be more carefully formulated.

But be that as it may, the recognition that people have a sense of self, or that their self-interest is socially constituted, does no violence to the basic action-theoretic contours of neoclassical theory. Morgenstern, like Walras before him (for one), did not doubt that individual motivation might be influenced by imitation, advertising, custom, and so on (Morgenstern 1974: 10). But what he did doubt is that these influences “change the formal properties of the process of maximizing” (Morgenstern 1974: 10). For the neoclassical Morgenstern, the point is that the “*formal* properties of the process of maximizing” (emphasis added), a process in itself devoid of ethical substance, is the transcendental condition of possibility of all of our doings, “ethical” or not. It is as if ethical orientation is intruded into this “formal process” so as to give it determinate content. Akerlof and Kranton’s work, in which various aspects of ethical life appear as arguments in a utility function, makes his point nicely for him.

## 2. Convention

We should emphasize, in case it has slipped by unnoticed, that by “formal properties of the process of maximizing,” Morgenstern means something like our notion of atomic acting. Analogously, when he talks of “find[ing] the mathematically complete principles which define rational behavior for the participants in a social economy” (Morgenstern 1974: 31), he means to make what we call the one-man

argument. In Morgenstern-speak the one-man argument turns on the claim that our ability to cooperate successfully rests on these “formal properties of the process of maximizing.” But to close the argument would require that these “formal properties” be fully and properly specified in the context of a “social economy.” Walras (he claims) has failed to do just this. In focusing exclusively on a special case of social economy and then in a special way, Walras’s treatment of the “principles that define rational behavior” in an interactive context is less than “mathematically complete.” “Mathematical completeness,” presumably, requires a fully interactive approach, in other words, the theory of games.

But the seminal game theorists for their part failed to fully specify these “mathematically complete principles,” inasmuch as a “complete” specification of rational behavior would have to explain how, by following the postulates of an idealized instrumental rationality, we might get our cooperative acts to come off. In the early literature it was thought to be self-evident that if we each know the other’s motives and opportunities for acting, and our (instrumental) rationality is common knowledge, then we can reason what the other plans to do and so act accordingly. It was soon realized, however, that in many situations the logic of us each choosing a best response to the best responses of the other players can yield a number of equally compelling but very different interactive scenarios. And because each of these is by construction thoroughly reasonable, reason itself cannot tell us which of these we should fix on. In the face of an equilibrium selection problem, then, something more than reason, as understood by classical game theory, is required if our diverse ordinations are to make cooperative sense.

Schelling’s (1960) insight was that the success of our cooperative efforts often depends in an essential way on our drawing on some shared conception of what we should *all* be doing in a given context. So, for example, in co-coordinating our road-using behavior, it can be supposed that it really doesn’t matter to us whether we all drive on the left or the right, but it does matter to us that we all do the same (Sugden 1989). In Britain, it is well known that we drive on the left. Thus, when I come to formulate a plan that somehow involves driving in Britain, I’d better factor into my calculations that driving on the left

is a salient feature of our road-using behavior. Insofar as the success of my project depends in part on me completing my journey, the fact that left-driving is conventional in Britain is reason enough for me to adopt left-driving. But it is not a classical game-theoretic reason, insofar as none of us has a preference for left-driving as such and right-driving would do us all just as well. Lewis (1969) makes similar points in regard to the use and development of language.

Schelling, Lewis, and others have shown how conventions—sometimes resolved as moral dispositions, sometimes reinforced by political fiat—are ordinarily an integral part of the landscape within which our actions and interactions take place. Of itself, however, the observation that our successful coordination more often than not requires a conventional supplement hardly calls into question the view of human being as atomic actor. By “conventional behavior” these writers understand a form of decisionistic process that falls outside of the logic prescribed by classical game theory but is still recognizably a form of strategic thinking. After all, a convention is here understood as something that we *reflect* upon, something that we see as external to our acting selves, something that we (reflectively) incorporate into our action plans so as to ensure personal success. (Note: This success may itself be measured in part by the approbation of others.) Even in Schelling’s convention-strewn landscape, then, the atomic actor, the embodiment of Morgenstern’s “formal process of maximizing,” lurks unharmed in the background, even if these “formal properties” are now in need of some refurbishment. But still, for the one-man fundamentalist, the very suggestion that convention may really be independent of our atomic actings, that conventions are really “out there,” so to say, smacks of the occult, of a primitive but unexplained social entity brought into serendipitous relation with the reasonings of our atomic selves. For the one-manist, conventions cannot be left to just *be* but rather must be unmasked for what they (supposedly) are: the unintended consequences of our atomic actings. And while Schelling’s work renders untenable the idea that classical game theory offers a truly general theory of human interaction, it leaves open the possibility that the one-man argument might be saved by further refinement of the game-theoretic approach. In an attempt to exploit this possibility, game theory in the social sciences, drawing on

Maynard Smith's work in evolutionary biology, has itself taken an evolutionary turn.

Maynard Smith and collaborators (Maynard Smith 1972, 1982; Maynard Smith and Price 1973) introduced game theoretic techniques into evolutionary biology in an attempt to better understand conventional behavior in animals. In particular, why do certain species engage in "ritualistic" displays of aggression that make less than maximal use of their ability to inflict damage on their opponents? Or more generally, why, when it is obviously the case that an animal has the physical capacity to respond in a wide variety of ways to a certain situation, does it adopt the kind of response "chosen" by most others in the group? In Maynard Smith's work it is not assumed that animals really do choose. But still, animal interaction may be given a strategic interpretation by supposing that, while each individual is itself capable of only one kind of action (determined by genotype), its (pairwise) interactor will be drawn from a range of possible genotypic responses. Each encounter then becomes a skirmish in the evolutionary battle of the strategies, with every individual (effectively strategy bearer) receiving a payoff measured in terms of a change in Darwinian fitness, in other words, in terms of expected lifetime reproductive success. In Maynard Smith-speak, an evolutionary stable strategy (ESS) is a strategy such that, if adopted by most of the population, no "mutant" strategy (and this includes other ESSs) would be able to invade the population through natural selection. An ESS may not always exist, but when it does it shows that although different modes of behavior are a priori possible, most of the population comes to behave in much the same way.

Maynard Smith's work on animal behavior seems to many to carry over into the field of human behavior in a fairly straightforward way. Although human agents (unlike Maynard Smith's animals) do get to choose their strategies, even they cannot choose a convention. They do, however, in the face of the equilibrium selection problem, have to choose what they *think* will become a convention, and through a process of *cultural* evolution, driven by a "natural selection" that eliminates strategists with "less successful" conceptions, a population of strategists emerges that, when faced by this problem, has a shared conception of what would count as an appropriate response.

Arguments of this type feature strongly in Binmore (1994, 1998). He wants to argue the “Whiggish” case for economic and social reform, by which he means a reformation in conformity with basic human nature. Naturally, to do this he has to say something about what he thinks human nature is. For Binmore, human beings are above all else *Homo economicus*, whose unavoidable engagement in the “game of life,” and thus unavoidable exposure to the concomitant “forces of biological, social, and economic evolution,” determines a creature that cannot be other than oriented to “getting things maximized” (1994: 11). Yet, according to Binmore’s lights, our deliberations are not confined to the maximand. We are also engaged in a “morality game,” in which we reflect on the good and the just. In this way economic man develops a moral sense, a sense of justice. So far, so socioeconomics. But, *pace* the socioeconomists, it is not enough for Binmore that we note the existence of an ethical dimension to people’s thinking and its implication for decision theory. Rather, insofar as we do have shared conceptions of the just and the good, “one must ask instead *how and why they survive*” (1994: 11). Binmore himself finds the reason for their survival in the edge that they give to the individual in the game of life. A society of like-minded moralizing individuals, individuals who reflect on the nature of justice and produce broadly similar conclusions, is a society of individuals each better able to coordinate on the same equilibrium in the game of life. Players in the game of life do not mean to bring their moralizing into their choice of strategies; after all, they are concerned here only with “getting things maximized.” Rather, it is that those who are somehow predisposed to moral deliberation outside of the game of life develop what we might call a sense of the social, and it is this that they draw on in a taken-for-granted way in their “everyday” dealings. It is then this sense of the social—a byproduct of their moral reason, rather than their moralizing per se—that makes them better able to coordinate in the game of life and thus better able to prosper in that environment. Thus, according to Binmore, to model *Homo sapiens* as a moralized version of *Homo economicus*, as having *both* a well-developed self-interest *and* a well-developed sense of the social, is not in itself to engage in either wishful or muddled thinking but rather to recognize that “Nature” (a.k.a. “the game of life”) selects for just those characteristics.

Having a well-developed sense of the social makes us better interactors, which in turn makes us more successful actors, which in turn means it makes us better maximizers.

Binmore goes as far as his one-manism will allow to admitting that our competence as actors may rest on more than a capacity for strategic thinking. Binmore's 21<sup>st</sup>-century *Homo economicus* brings a sense of the social to the game of life and is a better player for it. Yet Binmore's action-theoretic commitments will not allow him to admit this sense or feeling as a *core* human competence. Binmore's story is after all that we do not *begin* with this competence but rather that under some circumstances some of us come to develop it. Meanwhile, there is no suggestion that these earlier versions of ourselves are anything less than fully acting and interacting human beings.

In fact, Binmore departs from the standard neoclassical view of the self—the self as some kind of calculator with attitude—only to reassert it in a more sophisticated form. On this view, deliberation is the core competence we draw on as distinctively human actors, and is one that, when used to second-guess the actions of others, serves as the equally distinctive basis of our interactions. In contrast to this, we will want to argue that our exclusively human way of co-coordinating is not exhausted by our ability to rationalize the putative responses of others, that this ability is neither the beginning nor end of our effective sociality. We will want to argue that human beings and their actions are social in a more fundamental, irreducible sense. But to see this we need a different theory of the self.

### III

#### **The Social Self**

THE THEORY THAT WE HAVE in mind is that of the social psychologist George Herbert Mead (1861–1931). Mead is not the first to question the action-theoretical presumptions that animate neoclassical economic theory; indeed, a reevaluation of the self and its acts lies at the heart of the formation of sociology. For Durkheim, in particular, a *sociology* of action was to be the necessary antidote to what he saw as the ultimate sterility of the Hobbesian assumptions of political economy, assumptions that “detach the individual from the rest of the

world . . . [that] clos[e] off every horizon” and thus lead to a palpable motivational and affective deficit in the theorization of individual behavior (Durkheim [1887] 1972: 94). Durkheim is quite clear: an adequate social theory must begin with a “moral individualism,” with the presumption of an individuality that is social through and through.

Arguably, though, Durkheim’s promise of an irreducibly social conception of human behavior is never satisfactorily cashed out. Instead of supplying a richer conception of the self, a self that would *want* to behave in more complex fashion than *Homo economicus*, Durkheim’s actor is somehow *forced* to behave in that way. The behavior of Durkheim’s actor is more complex because he or she is subject to “social facts.” Indeed, a “social fact,” according to Durkheim, “is to be recognized by the power of the external coercion which it exercises” ([1895] 1982: 56). In a strategy reminiscent of modern socioeconomics, then, Durkheim has the “social” characteristics of the individual somehow added on to a “natural” (i.e., Hobbesian) character; for what is distinctive about human, as against animal, society for Durkheim is that *not all* human motives are instinctive and/or internal, but rather that some are “imposed . . . from the outside,” are “added on to his own nature” ([1895] 1982: 248). Like Durkheim, Mead wants to insist on an irreducibly social self. Unlike Durkheim, however, Mead wants to argue that the social is not an imposition; it is not a “thing” ([1895] 1982: 51).

In the posthumously published fragments known as *The Philosophy of the Act*, Mead distinguishes three forms of being: inorganic, organic, and, as a special case of the latter, human, the last characterized, *inter alia*, by the capacity for (reflective) thought. In each case, Mead’s theme is the (internal) relation between individual and environment. Even in the case of inorganic nature, the key to an adequate understanding of events, he argues, is the idea of process, of interaction, of sociality. For even in that (relatively) simple case—say, for example, in the action of light on a photographic plate or in the action and reaction of chemical processes—the emergent state of affairs is the outcome of (environmental) stimulation and (individual) response or (re)action, but importantly one that modifies both individual and environment. Rather than viewing reality in mechanistic fashion—according to which everything that there is should be conceived of as

some agglomeration or rearrangement of originary, primitive, always (in principle at least) well-defined elements—for Mead, action always implies qualitative as well as quantitative adjustment, requiring a reinterpretation of old as well as new: “the novel event is in both the older order and the new which its advent heralds” (Mead 1945: xivii). Morris (1945), in his introduction to Mead’s *Philosophy of the Act*, puts it thus: “the mechanistic interpretation of change denies emergence” (1945: li) or, more precisely, it “interprets emergents in terms of the [already well-defined and immutable] conditions necessary for their emergence” (1945: xivii), and so forgets that the emergents themselves call for a reinterpretation or reconstruction of those conditions out of which they arise.

What Mead takes to be true of the inorganic holds a fortiori for the organic life form and its environment. Action here, whether that of a thinking, conscious being or of a lower, purely impulsive individuality, takes the form of conduct; that is, “the sum of the relations of living beings to their environments” (Mead 1922: 159), and “conduct does cut out and fashion the objects upon which action is directed” (Mead 1925: 259). It is not merely that organism and environment are (or should be thought of as) constitutive of one another, as is the case with inanimate being, but rather that the organism selects its environment, constituting it in such a way that stimulates or releases impulses immanent in the living form itself. Thus, as Mead puts it, “[i]n the twisting of a plant towards the light, the later effect of the light reached by the twisting controls the process” (Mead 1945: liii). Or, again: “a digestive tract creates food as truly as the advance of a glacial cap wipes out some animals or selects others which can grow warm coats of hair. An animal’s sensitiveness to a particular character in an object gives the object in its relation to the animal a particular nature” (Mead 1922: 158).

As noted earlier, Mead wants to claim that sociality in a certain sense is a property of all being, inorganic as well as organic, indicating as it does no more than an internal relation between individual form and environment. In this sense, then, all acts should be thought of as social. In *The Genesis of the Self and Social Control* (1925), however, his usage is more specific; he wants there to distinguish different types of sociality. In the case of organic being, he writes, “[a] social act may

be defined as one in which the occasion or stimulus which sets free an impulse is found in the character or conduct of a living form that belongs to the proper environment of the living form whose impulse it is" (1925: 263). This of course takes us no further than the instance (given above) of the flower "twisting towards the light" and thus selecting its environment so as provide stimulation. In particular, no consciousness or thought of this process is supposed to be involved here; rather, individual and environment are attuned to one another through the physiology of the former. The same may also be said of that class of act that, though social in the more usual sense of entailing a cooperation between individuals belonging to the same group, relies on physiological differentiation alone. To be sure, in this case the completion of the (complex) act comprises a succession of (more elementary) operations carried out by various members of the group, and, thus, "[t]he objective of the act is then found in the life-process of the group . . . [and] not in those of the separate individuals alone" (1925: 264). But still for Mead there is no compelling evidence that in such a case this objective—the "social object," so to say—is "in the experience" of each individual, that the response of the ant or bee that necessary for the construction of the nest or hive is called out by anything other than the various physiological characteristics of its collaborators. On the other hand:

another type of social act, and its corresponding society and object, has been at least suggested by the description of the social act based upon physiological adjustment. Such an act would be one which the different parts of the act which belong to different individuals should appear in the act of each individual. (1925: 264)

By phrases such as "different parts of the [social] act . . . should appear in the act . . . of each individual" or should appear "in [his or her] experience," Mead means something like the following: In doing what I do, I (prereflectively) anticipate or expect that the situation that would arise from the completion of my stage of the act will call out in you the response necessary for social completion. In lower forms of life, in which the success of the social act is underwritten by an evolutionary process that ensures a certain distribution of physiological characteristics acting as stimuli across the group so as to elicit the responses necessary for completion, there is literally no idea in any of

the individual collaborators about what “success” or “completion” might mean. In human society, however, in which physiological differentiation plays little or no role, it is of the essence for successful coordination that each *somehow* has in mind the social object that his or her action will help to construct.

We should clarify the significance of the qualification “somehow.” Mead does not mean here that successful coordination always and everywhere depends on each of the individual actors having a conception of the greater good to which their own activity contributes. Of course, sometimes we do cooperate in this way: as team members, for instance. But Mead is alluding to a more general process at work in the human act, whether we are acting as a team or not, to a process that is going on behind the back of the thoughtful, deliberating actor. Mead’s actor may want to *consider*, before acting, how her action is likely to be received by another in order that her chosen action will indeed further the ends that she has in mind. Mead’s point, though, is that, whether she considers or not, the human actor *does* take account of the likely response by the other to her act. Whatever the ostensible aims or purposes of her act, then, Mead is suggesting that the human actor cannot help but put herself in the place of the other to “see” how her action will be received, and that this instinctive repositioning helps to make her act what it is.

Human activity for Mead, then, is characteristically minded activity, but minded activity, for Mead, means more than *simply* purposeful. And central to Mead’s thesis is that in gaining a mind, I gain a self. Note well, however, that this self is not the atomic self of neoclassical economic theory that is somehow constituted apart from others and that may then take strategic account of their attitudes. Of course, the version of the self that Mead has in mind will also come to think and act, and some of that thinking and acting will be about and directed toward others. But before all of this there must first be a self, and Mead’s self *is* “an individual who organizes his own response [thought out or otherwise] by the tendencies on the part of others to respond to his act” (Mead 1925: 267), by a “sympathetic placing . . . in each other’s roles, and finding thus in [its] own experience the response of others” (Mead 1922: 162). Put otherwise, Mead’s self is both an “I” and a “me,” a complexity that seems inescapable if the idea of

self-consciousness is to be taken seriously. For to say that the “I” sees itself in the act, or to say that the act is “mine,” is to somehow sense an entity, the “me,” to which the act responds or answers, an entity that is reproduced and/or refurbished in the process, but is somehow distinct from it. But how is this seeing or sensing of myself possible, if not through the “mirror” of your attitudes and responses to it? To say, then, that there is always something of the “me” in the self and its act is to say at the same time that there is always something of the “you” contained therein as well. Thus in claiming that the self is morally constituted, irreducibly ethical, Mead means to imply neither that human being is essentially benevolent, nor that even that the most “private” of actions has consequences for others. Rather, the self is an essentially moral construct for Mead in virtue of the fact that the characteristically human form of acting presupposes a *prereflective* anticipation of the responses of others.

#### IV

#### **The Philosophy of the Act Revisited**

ECONOMIC THEORY ADMITS of various ways in which the behavior of the human actor may be said to have a moral or ethical dimension. Of course, we deliberately enlist the help of others in prosecuting our own interests. Also, we may be persuaded by their arguments as to where our interests lie. But more than this. We may enjoy the company of others. We may be concerned for their welfare. Or we may look for their respect. In sum, others may appear in our motivational sets. All of which says why we might want to associate, but not how we are able to do it.

For neoclassicism, our interactive accomplishments reduce straightforwardly to our ability to instrumentally or strategically rationalize. What makes the human act distinctive is its origination in a plan; and all that I need do in the case of cooperation rather than operation, in the case of interaction rather than action, is to build your plan into my plan, and vice versa. As we have been at pains to point out, however, such a reduction is anything but straightforward. If purposive rationality is understood *simply* in these terms, then the hard-won principle that has always animated liberal political economy—that society may

be constituted as a spontaneous (and prosperous) order—becomes untenable. The case of Thomas Hobbes's *Leviathan* should give pause for thought. As is well known, Hobbesian actors are enabled by a purposive-rationality, simply understood, but their attempts at establishing society, in the absence of a dictatorial politics, always ends in tears. Modern commentators agree that there is nothing much wrong with Hobbes's logic at a basic level, even if his more detailed arguments have failed to stand the test of time (see, for example, Ross 2001: 4; and also Tuck 1991: xvii). Consequently, if liberal political economy is to make any sense, then purposive rationality has to be understood in some other way.

It is such an understanding—one that enables rather than disables liberal political economy—that infuses Mead's concept of the self and its acts. Economic behavior, on the Meadian view, must be *formally* moral, whatever its content. According to Mead, the human actor always acts in a way that presupposes another for whom such behavior makes sense. So, for example, my offer of sale presupposes the *idea* of a buyer; my making of a gift, the *idea* of a nonreciprocating recipient; my attempt at forceful appropriation presupposes others who acknowledge the idea of brute force as justification for parting with their possessions. In each case, a (different) sense of normative rightness is presupposed, but in each case, economic and social coherence depends on the presupposition being *shared*. The standard *Homo economicus*, on the other hand, presupposes nothing but a world of abstract purpose; not an immoral world but one in which individuals are *differently* and *arbitrarily* moralized. But Hobbes has shown only too well that behavior based on such a presupposition, if left to its own devices, is utterly destructive. To be sure, Mead's social or moral self is capable of sustaining illiberal as well as liberal behavior, depending on which expectations she has taken to heart. But at least she is (plausibly) capable of sustaining something. Standard *Homo economicus*, in contrast, incapable of making and retaining a *common sense* of things with his fellows and thus reduced to making his own sense of everything around him, is ultimately not capable of sustaining anything at all.

In our view, *Homo economicus* needs to be rethought. At the level of theory, it makes sense to distinguish motive from (economic)

capacity in human behavior but no sense at all (at least since Schelling's work in the 1960s) to configure this capacity as amoral. Moreover, insofar as morals or ethics enable (rather than just motivate) economic activity, they do so because (1) they are shared, and (2) they constitute economic behavior rather than supplementing or running alongside it. By *constitute* we mean to go against the view of evolutionary game theorists, who continue to postulate a more primitive, amoral economic capacity *as well* as a morally informed one. We also mean to distance ourselves from the Durkheimian strategy of supplementing traditional *Homo economicus* with *Homo sociologicus*, a creature that responds to norm as if it were a kind of external force or imposition. Mead's actor neither has to grow additional capacities in order to coordinate with her fellows, as Binmore's has to do, nor *depart* or *deviate* from purposeful behavior, as does *Homo sociologicus*. On a Meadian view, economic capacity has to be more richly endowed than standard *Homo economicus* in order to do what it is supposed to do, but it is recognizably still a single, purposeful capacity.

The rethinking of *Homo economicus* also has a practical significance. The predictive successes of modern economic theory suggest that even if nobody *really* behaves (or really *could* behave) like standard *Homo economicus*, there remains a certain heuristic or instrumental value to modeling behavior *as if* it were true. But the predictive failures of theory also suggest that this value has limits. As Mead reminds us, the success of economic behavior depends not only on the ability of each agent to respond imaginatively to incentives while being mindful of constraint but also on the common sense we make and retain of the general form of the activities we are each engaged in. Major policy initiatives such as privatization, deregulation, reregulation, and the like cannot be adequately captured simply as a restructuring of payoffs and constraints because, in each case, a moral community is being broken up and reformed. Extending (or restricting) commercial behavior in some sector of the economy does not replace the moral with the amoral (or vice versa) but, rather, changes the *type* of moral sentiment at work. Even to talk of a type of moral sentiment at work in "the market" is misleading in our view. Arguably, behavior in different commercial

settings is enabled in each case by a different, and at some level, unique sense of propriety, a point we plan to take up and develop in a subsequent essay.

### Notes

1. We are grateful to Laurence Moss for the von Mises reference.

### References

- Akerlof, George A., and Rachel E. Kranton. (2000). "Economics and Identity." *Quarterly Journal of Economics* 115(3): 715–753.
- Arrow, K. J., Enrico Colombatto, Mark Perlman, and Christian Schmidt, eds. (1996). *The Rational Foundations of Economic Behavior*. Basingstoke, UK: Macmillan.
- Aumann, Robert J., and Sergiu Hart. (2002). *Handbook of Game Theory*. Vol. 1. Amsterdam: North-Holland.
- Binmore, Ken. (1994). *Game Theory and the Social Contract Volume I: Playing Fair*. Cambridge: MIT Press.
- . (1998). *Game Theory and the Social Contract Volume II: Just Playing*. Cambridge: MIT Press.
- Durkheim, Emile. (1972). *Selected Writings*. Ed. A. Giddens. Cambridge: Cambridge University Press.
- . ([1895] 1982). *The Rules of Sociological Method and Selected Texts on Sociology and Its Method*. Ed. Steven Lukes. London: Macmillan.
- Eatwell, J., M. Milgate, and P. Newman, eds. (1987). *The New Palgrave: A Dictionary of Economics*, Vol. 2. Basingstoke, UK: Macmillan.
- Etzioni, Amitai, and Paul R. Lawrence, eds. (1991). *Socio-Economics: Towards a New Synthesis*. London: Sharpe.
- Hobbes, Thomas. ([1651] 1991). *Leviathan*. Ed. Richard Tuck. Cambridge: Cambridge University Press.
- Lewis, David. (1969). *Convention*. Cambridge, MA: Harvard University Press.
- MacKenzie, D., and Yuval Millo. (2003). "Negotiating a Market, Performing Theory: The Historical Sociology of a Financial Derivatives Exchange." *American Journal of Sociology* 109: 107–145.
- Marx, Karl. ([1867] 1974). *Capital*, Vol. 1. London: Lawrence and Wishart.
- Maynard Smith, John. (1972). *On Evolution*. Edinburgh: Edinburgh University Press.
- . (1982). *Evolution and the Theory of Games*. Cambridge: Cambridge University Press.
- Maynard Smith, J., and G. R. Price. (1973). "The Logic of Animal Conflict." *Nature* 146: 15–18.

- Mead, George Herbert. (1922). "A Behaviouristic Account of the Significant Symbol." *Journal of Philosophy* 19: 157–163.
- . (1925). "The Genesis of the Self and Social Control." *International Journal of Ethics* 35: 251–277.
- . (1945). *The Philosophy of the Act*. Ed. Charles W. Morris. Chicago: University of Chicago.
- Mises, Ludwig von. (1947). *Planned Chaos*. New York: Foundation for Economic Education.
- . ([1949] 1996). *Human Action: A Treatise on Economics*. Irvington-on-Hudson, NY: Foundation for Economic Education.
- Morgenstern, Oskar. (1974). *Selected Economic Writings*. Ed. Andrew Schotter. Princeton: Princeton University Press.
- Morris, Charles W. (1945). "Introduction." In George Herbert Mead. (1945). *The Philosophy of the Act*. Ed. Charles W. Morris. Chicago: University of Chicago.
- Ross, Don. (2001). "Game Theory." In *Stanford Encyclopedia of Philosophy (section 1)*.
- Schelling, Thomas. (1960). *The Strategy of Conflict*. Cambridge: Harvard University Press.
- Sen, Amartya. (1988). *On Ethics and Economics*. Oxford: Blackwell.
- Sugden, Robert. (1989). "Spontaneous Order." *Journal of Economic Perspectives* 3(2): 85–97.
- Tuck, Richard. (1991). "Introduction." In Thomas Hobbes. ([1651] 1991). *Leviathan*. Ed. Richard Tuck. Cambridge: Cambridge University Press.
- Walras, Leon. (1954). *Elements of Pure Economics*. Homewood, IL: Richard D. Irwin Inc.

Copyright of *American Journal of Economics & Sociology* is the property of Blackwell Publishing Limited and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.