

THE ECONOMIC AGENT: SOCIALLY-EMBEDDED INDIVIDUAL, ACTING INDIVIDUAL, OR PERSON OF ACTION?

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It is man's actions, his conscious acting, that makes him *what* and *who* he actually is.
Wojtyla 1969

For years orthodox economic theory has been under attack for the way it represents the economic agent. *Homo economicus* is self-centered, commodity-acquiring, utility-maximizing, rational in all decision-making, strictly want-satisfying, self-contained, a machine-like individual being whose nature is set forth by the philosophy of individualism. *Homo economicus* is neither virtuous nor vicious, never confused or conflicted in economic decision-making. In human terms, *homo economicus* is perfect.

This paper examines three alternatives to *homo economicus*: the *socially-embedded individual*, the *acting individual*, and the *person of action*. To address those three representations it is necessary to first examine *homo economicus* in greater detail.

HOMO ECONOMICUS

The philosophical base of orthodox economics consists of four value-laden premises. First, the economy is self-regulating wherein aside from the military sector, the control of law and order, and projects that the private sector is unable to manage, government intervention is unwise and unnecessary. Second, the individual is the basic unit of analysis who behaves in accordance with his/her calculated self-interest. Third, orthodox economists present their findings in a way that rules out uncertainty. Fourth, they assert that the actions of economic agents are contractual. These four premises replace scholastic thinking with enlightened thinking (Waters 1988).

Our concern is with the second premise, the calculating and self-interested individual who orthodox economists routinely align with empirical observations of economic reality and its philosophical base grounded in individualism. The result is *homo economicus* whose behavior invariably is profit- and utility-maximizing (Waters 1988).

In orthodox thinking, *homo economicus* is subject to change in that the economic agent is capable of acquiring or losing the human capital which is embedded in his/her nature but does NOT change his/her profit- and utility-maximizing behavior. Further, orthodox economists acknowledge that at times *homo economicus* acts altruistically, in accordance with the needs and desires of others, but reconcile this kind of behavior with the self-centered *homo economicus* by labeling it “enlightened self-interest.”

Even so, *homo economicus* overwhelmingly is *never-changing* because that oversimplifying proposition assures a predictability of behavior in economic affairs and in turn empirical findings about which there is greater (apparent) certainty. The economic agent of orthodox economics never changes in that *homo economicus* ...

is unique, solitary, autonomous, self-centered, and self-made,
is privacy-protecting and commodity-acquiring,
makes intra-personal comparisons,
is utility-maximizing, free to choose and act, rational in all decision-making,
is strictly want-satisfying, both foresighted and hind sighted,
is self-reliant, and inward-directed,
has worth determined by what he/she contributes to economic affairs,
is a self-contained, machine-like individual being whose nature is set forth by the philosophy of individualism, who knows only “I / me / mine.”

Homo economicus is neither virtuous nor vicious and therefore never...

caring or heartless	trustworthy or inconstant	loyal or treacherous
just or unjust	faithful or deceitful	forgiving or merciless
kind or envious	grateful or resentful	diligent or lazy
loving or loved	moderate or self-indulgent	kind or mean-spirited

In decision-making *homo economicus* is never ...

conflicted or confused hesitant or uncertain

Notwithstanding Smith’s Theory of Moral Sentiments, *homo economicus* is never ...

benevolent, generous, or sympathetic

In the extreme, the individualism that is foundational to orthodox economics descends into narcissism.¹ The inflated sense of self-importance of *homo economicus* renders him/her incapable of forming community. Added to this danger is the essential human *passivity* of the non-narcissistic agent of orthodox economics who routinely pursues maximum personal net advantage. Following Durkheim, the self-interested gain-seeking *homo economicus* is represented as reacting only to changing economic circumstances (Danner 2002).

SOCIALLY-EMBEDDED INDIVIDUAL

Davis (2011) examines the problem of the identity of the economic agent in terms of several new approaches because it is the mainstream “that inherits the problematic legacy of how to address what I argue ... is a failed notion...” Several years earlier Davis (2003; emphasis in original) stated that “One important conclusion of this book is that *neoclassical and mainstream economics, which make the individual central to their analysis, lack an adequate conception of the individual.*” Indeed, in the first sentence of Chapter One Davis says “This is a book about our understanding of the individual in economics” (Davis 2003). Davis makes essentially the same assertions in his 2011 book (Davis 2011).

Critical to Davis’ thinking about economic agency is the concept that individuals are socially-embedded in social and economic relationships and act through participation in groups. In arguing for the outward directedness of the economic agent he does not reject the inward directedness of orthodox economics. Indeed, Davis sees the behavior of the economic agent as both outward- and inward-directed. He sees the economic agent as a *socially-embedded individual*, an active being who influences the social structure and he argues that social embeddedness helps correct the failed notion of *homo economicus* (Davis 2003, 2009, 2011; Wells 2012).

We agree with Davis that the agent in economic affairs is not properly represented as a collection of preferences “passively responding to changing prices given a structure of prices” and that the capabilities approach adds significantly to our understanding of economic agency. However, we see human capabilities in terms of human development whereas Davis sees them in terms of human behavior. Further disagreement emerges when he suggests that human beings *are collections of capabilities* (Davis 2003, 2009, 2011).

Though we see “individual” and “person” as quite different, Davis uses them as synonyms. He even uses the expression the “many-person” individual. At times his use of the two concepts is confusing. “Lacking [self-narratives that unify socially-embedded individuals as single individuals], it fails to constitute the individual as a person and create an identity for that person that is recognizable to others.” He also uses “multiple selves” to describe the

¹ For more on narcissism, individualism, and economic affairs, see Arjoon 2010.

human condition in which an individual has many roles and many utility functions. "... there is no obvious reason why one should not suppose that individuals have more than one utility function, indeed conceivably an indefinite number of different utility functions, and thus an indefinite number of different selves" (Davis 2003). To rescue the individual from dissolving into many selves through social interaction and losing his individuality, Davis offers his Sen-like personal-identity capability (Davis 2003, 2011). By personal-identity capability he means that

... persons are understood ... as able to take up a reflective stance toward themselves as a person persisting and yet developing over time, and to make plans and choices accordingly (Davis and Wells 2016).

We argue that sociality is embedded in human beings through the human development process that begins in the home at the hands of the family. Davis (2011; emphasis added) rejects the sociality of human beings on grounds that it does not "say why essentially *asocial* individuals should be thought to have social motivations." To repeat, in his 2003 book Davis stated that "This is a book about our understanding of the individual in economics" (Davis 2003), and makes the same assertion eight years later (Davis 2011).

We argue instead that *asocial* human beings by definition do not have social motivations because they reject or lack the capacity for social interaction. Their development as human beings has been arrested. This developmental deficit may take many forms: shyness or social phobia, alcohol dependence, avoidant personality disorder, and depression (Koenigsberg, no date). Two extreme examples of profoundly *asocial* tendencies are autism and Asperger's syndrome (Autism-Help 2008). Because *asociality* is a treatable human condition, it follows that we cannot dismiss the sociality of all human beings because some are *asocial* any more than we can write off those with a full or partial extra copy of chromosome 21 as falling short of personhood.

The lesson is that *asocial* tendencies can be treated and persons with such tendencies can learn to have social motivations. *Asociality* in other words is not necessarily a permanent developmental deficit. It is one that can be remedied.

Antisocial behaviour is another problem entirely. According to Hare, who is regarded as "foremost expert on psychopathy today" (Cohen c2014), even at an early age, psychopaths lie, cheat, steal, set fires, are truant and substance abusers, engage in vandalism and precocious sexual conduct (Hare 1994). This affliction is known as *antisocial* personality disorder.

Psychopaths "can be "amusing and entertaining ... very effective in presenting themselves well and are often very likable and charming." In other words they can *appear* to be properly socialized. Psychopaths are disordered human beings and, according to Hare

(1994), are predators. They can be identified by certain traits and behaviors but after years of clinical study and research Hare (1994) still describes them as enigmas. It is much easier to help reduce a person's vulnerability to the predatory behaviour of the psychopath than it is to intervene effectively in the psychopath's life. Nevertheless, human beings with *antisocial* behaviour are still human persons and economic agents in economic affairs.

Personalist capital refers to the human development process in which certain good habits or virtues are learned, practiced, and acquired and by which a human being becomes more fully a human person. Personalist capital can depreciate and human development can be arrested and even reversed through the learning, practicing, and acquiring of certain bad habits or vices by which a human being diminishes as a human person. We construe psychopaths as seriously lacking personalist capital because whatever virtues they may possess and practice are undone by their vices.

THE ACTING INDIVIDUAL:

AUSTRIAN ECONOMICS AND ECONOMIC PERSONALISM

The Austrian School asserts that orthodox economics in which the individual is perceived as “a sealed ‘atom’, cut off from, and uninfluenced by, other persons” is a misinterpretation of individualism (Rothbard 2012). In effect the Austrians argue that individualism has been hijacked by orthodox economists and misapplied in economic theory. They insist that their representation of individualism is the correct one because great importance attaches to human action in understanding the role of the economic agent (von Mises 1998, Lachmann 1977, Rothbard 2012). They represent the economic agent as the *acting individual* (Lachmann 1977).

The Austrians admit that the *acting individual* behaves in ways that are either “virtuous or vicious” (von Mises 1998) but they do not tell us that how or why virtuous or vicious action in economic affairs changes the economic agent.

At the same time, von Mises seems to hold an entirely different view describing the “common man” as a “sheep in the herd,” an intellectually inert individual who does not react automatically in economic affairs (von Mises 1998). This characterization certainly is much closer to the utility-maximizing machine of orthodox economics than the sacred nature of the *person of action*.

Economic personalism, a partial derivative of Austrian economics, “is a science of the morality of markets – an attempt to analyze the moral ramifications of economic activity in light of a theological vision of the human person.” The key operatives identified with economic personalism are Michael Novak, Rocco Buttiglione, and the Acton Institute. Two Americans with connections to Catholic social teaching -- John Ryan and Rupert Ederer – are identified with economic personalism (Gronbacker 1998).

Economic personalism sees economic activity in terms of the person rather than the individual of the orthodox way of thinking, and focuses attention on the workings of the marketplace from a moral perspective. It is constructed on the centrality of persons as indicated by their subjectivity and autonomy, human dignity, attachment to community, participation and solidarity. No one has contributed more to economic personalism than John Paul II (Gronbacher 1998).

Nevertheless, economic personalism has a fundamental problem in that it embraces the personalism of John Paul II (see Gronbacher 1998, Schmiesing 2001, and Zuniga 2001) but does not reject the individualism of the Austrian school out-of-hand. This mixture of the two in which individualism is subordinate to personalism suggests that economic personalism is struggling to clearly differentiate between person and individual in which perhaps the instrumental value of the individual is not clearly contrasted with the sacred dignity of the person.

PERSON OF ACTION

Personalist economics rejects the Austrian school for the same reason it rejects orthodoxy. Individualism is a creature of the Enlightenment and the script stage of human communication during which economic agents often were largely isolated from one another on a daily basis. Personalism is a creature of the electronic stage in which agents no longer are isolated “atomistic individuals” because communication is nearly instantaneous. The economic agent today -- *person of action* -- is not only more interconnected with others but also more dependent. In personalist economics the individual of orthodox economics is replaced by the *person of action*. *Homo economicus* is a largely passive economic agent whereas the *person of action* is an active agent.

Danner and Waters, along their contemporaries Becker, Wojtyla, and Dempsey, were especially instrumental in the development of personalist economics. According to Waters, the classical *individual* is thoroughly competitive, behaving in a calculated and self-interested manner, and always maximizing utility. The solidarist *person* is both competitive and cooperative, and makes decisions rationally at times and non-rationally at other times. The most important difference is that whereas for the classical individual economic and political behavior is characterized by contractual behavior, the solidarist *person* has a sacred dignity in which he/she has certain inalienable rights such that freedom, for instance, cannot be contracted away (Waters 1988).

In his *Economic Person: Acting and Analyzing* Danner identifies the economic agent as an “embodied spirit.” His concept of the embodied spirit, expressed three years earlier, tells us much about Danner’s understanding of the economic person and work.

... a person is an *embodied spirit*, a spirit that can act externally only through its body, not like a rider on a horse nor a ghost in a machine, but essentially and necessarily bonded to the body. The ‘I,’ therefore, retains its identity even though the body renews itself many times in a lifetime (Danner 2002; Danner and O’Boyle 1999).

... the one basic fact is that we are primarily spirits needing to know and to love but spirits, nevertheless, who need and must work through bodies to create from the powers and raw materials of the universe the beautiful as well as the useful things for living (Danner 2002).

For Danner, the ultimate purpose of economic activity is not maximum personal net advantage. Rather, it is whether economic activity adds to or takes from the integral development of those engaged in that activity. For Danner “... every person is in a real sense an economic person” (Danner 2002).

Danner appears to challenge Davis’s argument that “... in economics we have strong grounds for not treating individuals as unities” and that due to their social embeddedness and without a personal-identity capability humans risk dissolving into social aggregates (Davis 2003, 2011).

As an embodied self-consciousness, personhood is best portrayed in a career of self-development, the effort and action of becoming personal by blending contraries: spirit/body, male/female, individual/social, self-aware yet reaching out, *unified but constantly* changing, free but morally restrained (Danner 2002; emphasis added).

Becker addresses the personhood of the economic agent through the One/Many dichotomy, between acting as individuals and acting as a group. His insights on person as opposed to individual, and activity versus passivity, are noteworthy.

When the Many have the perfection of *persons*, they can never make One as the many parts of a machine make one machine, nor even as the many parts of a tree make one tree. Because the ruled are *persons* they can be one only in a unity of purpose, that is, in a unity forged by the *activity* of their own intellects and wills. The unity of persons can thus *never be a purely passive thing*; it must be the result of activity on the part of the persons involved. ... A person may properly devote himself to achieving the ends of the larger social whole of which he is a part, but he must do so in accordance with his own nature – that is, he must understand those ends and will them. *In thus subordinating himself to society he does not surrender his selfhood; rather he*

fulfills his selfhood in intelligent and free service rendered to the common good
(Becker 1959; emphasis added).

Wojtyla emphasizes the importance of “acting jointly with others” (Wojtyla 1969) -- the equivalent of acting as the One which when coupled with the principle of subsidiarity means acting as a private group rather than a public one.

Dempsey examines the question through depersonalization.

Any society in which “depersonalization” is far advanced not only ... fails to aid men to practice virtue and develop in more perfect persons, but also places positive obstacles in the way of the development of virtue and perverts man’s normal inclinations to good by directing them to wrong objects. A depersonalized society not only fails to do good, it does evil; and what good it does attempt to do it does badly (Dempsey 1958).

INDIVIDUALISM AND PERSONALISM

The problem with individualism is its view of humans as beings devoid of a social dimension. The orthodox economic agent is passive, rational, and predictable profit- and utility-maximizing machine. This representation allows orthodox economists the comfort of certainty in economic analysis because economic agents *always* act in ways that maximize personal net advantage.

What is needed is an economic agent whose very nature encompasses both individuality and sociality. Due to their individuality, human beings make decisions and at times act alone, as previously suggested as the Many individuals. At other times, due to their sociality, humans make decisions and act together with others notably, for example, family members, as the One group. Further, the economic agent is more accurately represented as active, rational and passionate, and at times profit- and utility-maximizing, but not always, and instinctively pursuing integral human development. This representation requires personalist economists to accept less than full certainty regarding their understanding of economic affairs because the economic agent is not entirely predictable and not perfect.

The economic agent is represented as a *person of action* for two reasons. First, the literature has become cluttered with terms similar to *homo economicus* such as *homo reciprocans*, *homo politicus*, *homo sociologicus* and others that orthodox economics has not taken seriously. Using *person of action* avoids the problem of being thrown together with those terms and then being thrown out with them. Second, the *person of action* connects economic agency to human action in economic affairs, notably work, consumption, and leisure that unmistakably change the economic agent who in acting virtuously or viciously adds to or depletes personalist capital, and thereby is more effective and more highly valued as an agent or less effective and less highly valued.

A personalist reconstruction of the economic agent is based on two propositions. First, economic agency as represented in orthodox economics is outdated because it has oversimplified the economic agent as *homo economicus* in order to simplify economic analysis and produce empirical findings about which it can claim certitude. We insist that the *person of action* is more faithful to contemporary understanding of human nature and better aligned with human activity in current economic affairs. The result is greater complexity in economic theory that in turn demands more judgment in economic analysis. This proposition rests on the premise that certitude purchased at the price of oversimplification is an illusion.

Second, economic agency constructed by orthodox economics on utility/profit maximization also misrepresents human nature. The *person of action* is represented as routinely maximizing personalist capital in which certain good habits or virtues such as justice, moderation, prudence, and courage are learned, practiced, and acquired and by which human beings develop as human persons. Further, as human beings develop more fully as human persons, they are more highly valued as economic agents. This second proposition rests on the premise that the economic agent is inseparable from the human person.

More than 50 years ago, John Maurice Clark rejected the strict individuality of *homo economicus*.

Man has a dual nature, individual and social; and however much individuals differ in their relative emphasis on these two sides, none is a whole man in whom either side is completely repressed (Clark 1957).

Whenever human beings are regarded as objects with only instrumental value, their personhood is denied. To illustrate, prostitutes are not persons because they have been reduced to sexual objects for commercial purposes. Suicide bombers are not persons because they have rendered themselves into instruments of death and destruction. Even so, both cling to their basic personhood because as long as they are living they can be reformed by rejecting their evil habits and acting virtuously.

Our argument that economic agents are persons rests on two premises. First, humanness and personhood are inseparably one because they originate in a contingent being at the very first moment when that being is brought into existence. This is not to say that they are fully developed human persons when humanness and personhood first are present. Fullness comes later through the normal process of growth and development. Thus, even though economic agents are individuals and objects in the sense that economics views them in the workplace as human resources, they are first and foremost human persons.

Second, *becoming* a person is not the same as *being* a person. Rogers asserted repeatedly in *On Becoming a Person* that a human being literally becomes a person, implying that he/she though fully a human at times might not be a person. Giavanola also seems to be caught in some confusion as well in using similar language though her intent is to flesh out the meaning of personhood by adding

“human richness” – ... an internal *multidimensionality* and *plurality* which intrinsically characterizes each person and that every society should guarantee or at least promote (Giavanola 2005; emphasis added).

Notice the similarities in her language and Rogers.

... a person is a fluid process, not a fixed and static entity; a flowing river of change, not a block of solid material; a continually changing constellation of potentialities, not a fixed quantity of traits (Rogers 1961).

Such an anthropological richness ... allows us to think of human beings in a dynamic frame in which they are constantly involved in the process of ‘becoming’ themselves and realizing themselves (Giavanola 2005).

BECOMING OR BEING A HUMAN PERSON

Grisez and Shaw understand personhood not as a matter of *becoming* a person but of *being* a person. To appreciate their argument one must first examine what they mean by the three levels of action and how each level is associated with a different type of freedom.

Action at the first level is associated with physical freedom and leads naturally to a specific outcome provided there are no physical constraints in place. The retriever has been trained and predictably fetches the downed duck unless the dog is physically restrained. The newborn baby naturally takes to its mother’s breast provided it is not physically separated from her. At this level, the action undertaken is very simple. For that reason, both animals and humans are capable of acting at this level.

At the second level, which is associated with freedom to do as one pleases, action is undertaken to achieve a specific end. At this level, two conditions are necessary: (1) the end must be desired and (2) the means employed must be sufficient to achieve the desired end. A farmer plants corn to feed his cattle and when it is harvested the corn becomes available for the farmer’s intended purpose. Sometimes the kind of freedom involved in action at the second level clashes with a requirement imposed by society that limits the freedom to do as one pleases. A man is free to marry whomever he pleases but not to beat his wife or abuse

his children. Because intentionality is required, only humans are capable of action at the second level. Second-level action is the Austrian understanding of human action.

The content of human action, i.e., the ends aimed at and the means chosen and applied for the attainment of these ends, is determined by the personal qualities of every acting man (von Mises 1998; see also Rothbard 2012 and Lachmann 1977).

At the third level, which is associated with self-determination, the significance of the action derives from the effect it has on the person participating in the action. Fishing for the purpose of catching fish for dinner is purposeful and foresighted and therefore is action on the second level. Fishing with another person in order to enjoy and strengthen a friendship is action at the third level. Paying one's taxes is action at the second level, conniving with a tax preparer to elude taxation is action at the third-level and has the effect of diminishing the character of both parties involved.

Persons are persons; the question for them is how to be what they already are. If the problem were how to *become* a person, it would mean that "personhood" was some sort of definite goal or objective toward which one could work by action at the second level. But this is clearly not the case. We already possess personhood. We are not working toward the goal of becoming persons; we are instead coping constantly with the difficult but fascinating problem of how to *be persons*.

... persons are faced with the constant necessity of making choices and, in doing so, of determining themselves. How to use their freedom of self-determination -- how, in other words, to *be persons* -- is the challenge which continually confronts them (Grisez and Shaw 1974; emphasis in original).

Action at the second level means looking into the future. Action at the third level means acting in a consequential way in the present. It is action at this level that affords the opportunity to grow and develop more fully as a human person. (Grisez and Shaw 1974).

Notice how Divine connects action at the third level to economic affairs.

... the final and ultimate goal of economic life is the development and perfection of human personality in so far as that lies within the sphere of economic activity ... the individual is not only, as co-producer of goods and services, the efficient cause of economic activity, he is, as consumer and social being, the final cause as well (Divine 1960).

DEVELOPMENT AS A HUMAN PERSON

The child develops as a person according to the potentialities present from the very beginning. To illustrate, some are endowed with special mental faculties, and years later become teachers, inventors, researchers. Others with physical talents become athletes, structural iron workers, ballet dancers. Still others have a gift for evoking what is best in others, and become orchestra conductors, supervisors, coaches. Others are endowed with a caring nature, and become nurses, ministers, therapists. From the very beginning, every human being, every economic agent, is different, but all are alike because all are persons with a sacred dignity above and beyond their instrumental value.

As long as the child acts only at the first or second level, he/she remains an *innocent* person. Once he/she begins acting at the third-level the child becomes a *person of action*. The child may become an evil person or a good person according to how he/she acts over a lifetime. The child becomes an evil person by embracing vices (acting unjustly, maliciously). He/she becomes a good person by acquiring virtues (acting courageously, justly) (Aristotle, 350 B.C.E. a; Aristotle 350 B.C.E. b).

Whether the child acts righteously, wickedly, or indifferently he/she remains a person throughout, just as changes in weight and height, cognitive abilities, and other human skills and talents over the child's development as a teenager and later as an adult do not alter the essential reality that he/she is a person from the beginning of life to the end. Development from an *innocent* person to *person of action* is a two-stage process in which he/she develops the proper habits and then acquires practical reason (Kraut 2001).

Kraut underscores the importance of parents and others in child development and beyond childhood the responsibility of that person as an adult.

Although we must be fortunate enough to have parents and fellow citizens who help us become virtuous, we ourselves share much of the responsibility for acquiring and exercising the virtues (Kraut 2001).

The rate at which this transformation from *innocent* person to *person of action* varies from person to person because each one is unique with a unique disposition to acquire this virtue or that vice (Rickaby 1918).

PERSONALIST CAPITAL AND HUMAN DEVELOPMENT

Personalist capital appreciates when certain good habits or virtues are learned, practiced, and acquired and by which a human being becomes more fully a human person. Personalist capital depreciates and human development is arrested and even reversed through the learning, practicing, and acquiring of certain bad habits or vices by which a human being diminishes as a human person. The virtuous person accumulates personalist

capital in a way that parallels the accumulation of physical and human capital – by investing in good habits. The wicked person destroys personalist capital by investing in bad habits. Elmendorf (1892) claims that “as habits (virtues and vices) are generated and increased by acts, so ceasing from action diminishes them and sometimes totally destroys them.”

As with physical capital and human capital, there is a distinct return to personalist capital. In general, employers prefer the diligent worker to the lazy worker. Buyers favor the merchant who is honest to one who is devious. These preferences are expressed and the personalist capital of a specific economic agent is rewarded (imperfectly because economic agents are not perfect human beings) through routine exchanges in the product market and the resource market. Notice, for example, the employment difficulties encountered by convicts following their release from prison, and public announcements from the Better Business Bureau and Federal Trade Commission identifying improper business practices.

Personalist capital is not transferable in the same sense that physical capital, which is a thing that is distinct and separate from its owner and therefore can be bought and sold. As with human capital, personalist capital is embedded in a human being, cannot be detached from that human being, and therefore cannot be bought or sold. There is nothing inappropriate in referring to acts of virtue or vice as contributing to the accumulation or loss of personalist capital just because this kind of capital is lacking in materiality. However, both physical capital and personalist capital are real assets in economic affairs insofar as both are valued in the market system. Just as physical capital that has turned to junk has no or even negative value, personalist capital can be eroded to the point of zero or negative value.

CONCLUDING REMARKS

Humans are more than the one-dimensional self-interested, self-absorbed, and *passive individual* of orthodox economics. They are the two-dimensional, *active person* of personalist economics with an identity as a separate and unique human being never to be taken simply as a cog in a machine or totally subordinate to the whole, and at the same time acting together with family, company, neighborhood, region, nation, and all humankind.

A person of action is an embodied spirit, a material body *inside* a human spirit: not one part body, one part spirit, but a fusion of the two. In like manner, humans are individual beings and social beings: not one part individual, one part social, but a fusion of the two. Human beings are living, breathing, existential actualities who are nearly divine. Society rightfully can be said to exist, but its existence is not the same as human existence. Clearly, society is not a living, breathing, existential actuality. Neither is it nearly divine.

Human beings establish societies to help enhance their development. The ideal society is the one that contributes most to the achievement of human perfection. Sadly, at times societies actually stand in the way of human development as with the dysfunctional family and the tyrannical state.

Society makes three major choices in allocating functions to its members. It chooses between the individual and the group, between the private and the public group, and between more and less democracy within groups. In each instance the principle of subsidiarity is a guide to the correct choice because the members of human society are persons, with the perfections and imperfections of persons.

Personalist economics follows Sen's argument that the task for economics is to enlarge everyone's capabilities and asserts that the *person of action* strengthens his/her capabilities set by acting virtuously in economic affairs and weakens that set by acting viciously. The strengthening and weakening are accounted for by personalist capital. Personalist economics not only adds the important human element of personalist capital to Sen's capabilities set but also links that improved set to integral human development and asserts that the ultimate purpose of the economy is maximizing integral human development which is achievable by maximizing that capabilities set.

Davis is correct: capabilities matter. However we disagree with him that a human being is simply a collection of capabilities. Furthermore, we reject his argument regarding the social embeddedness of the economic agent on grounds that embeddedness suggests an economic agent as a passive human caught up in the social milieu. Our counter argument is that sociality is embedded in human beings through the human development process that begins in the family home. As human beings, *persons of action* actively engage in the marketplace and the workplace in what can turn out to be a positive-sum, zero-sum, or even negative-sum experience depending on whether they are mindful of and faithful to their duties under commutative justice, distributive justice, and contributive justice.² Finally, although we see "individual" and "person" as quite different, Davis uses them as synonyms and at times, such as with his *many-person individual*, in an especially confusing manner.

Orthodox economics asserts that in the end *homo economicus*, maximizes utility and profit and the economy functions best when it reaches Pareto optimality. Maximizing utility and profit is based on the proposition that the good consists in *having* more. Personalist economics claims that the economy functions best when *persons of action* maximize personalist capital thereby enhancing themselves as human persons and rendering

² For more on these principles of justice, see O'Boyle 2004.

themselves more effective and more highly valued as economic agents. Maximizing personalist capital rests on the assertion that the good always inheres in *being* more.

The Austrians assert that orthodox economists have hijacked individualism and misapplied it in economic theory. They insist that their representation of individualism is the correct one because great importance attaches to human action in understanding the role of the economic agent whom they represent as the *acting individual*. They affirm that the *acting individual* behaves in ways that are either virtuous or vicious but do not tell us how or why acting virtuously or viciously in economic affairs changes the economic agent.

Their economic personalism is constructed on the centrality of persons as indicated by their subjectivity and autonomy, human dignity, attachment to community, participation and solidarity. Nevertheless, economic personalism has a fundamental problem in that it embraces the personalism of John Paul II but does not reject the individualism of the Austrian school out-of-hand. This mixture in which individualism is subordinate to personalism suggests that economic personalism is struggling to differentiate between person and individual in which the instrumental value of the individual is not clearly enough contrasted with the sacred dignity of the person.

Personalist economics too is grounded in the centrality of the human person, human subjectivity and autonomy, human dignity, and acting together with others in economic affairs. However, it does not affirm the economics of von Mises, Novak, Buttiglione, and the Acton Institute. Rather it rests on the contributions and personalism of Baerwald, Boulding, Dirksen, Clark, Walker, Froehlich, Hayes, Briefs, and most especially Waters, Danner, Dempsey, Becker, and Wojtyla (John Paul II).

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