



Methodological Individualism and Cultural Economics*

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Abstract. This paper considers the communitarian critique of the method of economics, especially in regard to its methodological individualism, with reference in particular to cultural economics. It asks whether cultural goods can be modelled in a meaningful way under the usual assumptions in neoclassical economics about individual economic agents. Special attention is paid to Charles Taylor's critique of "atomism", and his suggestion that some goods are "irreducibly social". The implications of the critique for (1) public funding of the arts, and (2) copyright policy, are considered.

1. Introduction

This essay deals with four subjects – the method of economics, the communitarian critique, the role of the state in funding the arts, and the most desirable policy regarding copyright law – each of which warrants a substantial treatise. So the goals of the essay need to be held firmly in check.

The thesis is as follows. Results that have been derived by cultural economists for at least two major policy questions, namely state support for the arts and the design of copyright law, are strongly influenced by the methodological individualism inherent in the positive economic models which are used as a foundation for normative advice. Even in the debates often held around these two policy questions, for example as to whether the concept of "merit goods" is a valid one, or whether in the design of copyright one must look beyond the welfare maximizing legal regime to the question of what are the natural rights of authors, both sides of the debate are grounded in methodological individualism. Without trying to establish the case for an alternative method, I hope to at least show that the existence of the alternative and its policy implications should be realized by economists. As Clifford Geertz (1980) wrote in his essay on the "Reconfiguration of Social Thought", we need to be open to whatever interpretive tools will help us in understanding what it is that concerns us – in this case some economic policies which impact on culture – without the need to feel bound by the models of natural science, or by whatever was previously thought to be the "right" methods for economists.

2. Methodological Individualism

Methodological individualism does not have a single definition that all economists would agree on. Here we look for a general characterization of the doctrine.

One approach is that methodological individualism (hereafter, MI) is, as the name implies, a *method*, as opposed to a theory of human behaviour. Joseph Schumpeter (1954: 888–9) distinguishes between “sociological individualism”, which is the view that the self-governing individual is the “ultimate unit of the social sciences . . . and all social phenomena resolve themselves into decisions and actions of individuals that need not or cannot be further analysed in terms of superindividual factors”, “political individualism”, which is a laissez-faire attitude to economic policy, in part grounded in the doctrine that each individual is the best judge and guardian of her own well-being, and MI, which is simply study that starts “from the given behavior of individuals without going into the factors that formed this behavior”. He finds sociological individualism untenable as a description of human behavior, but sees MI as an approach justified pragmatically on the grounds of division of labour in the social sciences, without its constituting an actual theory of society and individual. Not all authors clearly separate the “individualisms”; as Blaug (1992) notes, Popper, for example, tends to link a political program to his discussion of the appropriate method of social science.

The pragmatic view, that MI is a method rather than a theory, drives the Chicago approach to economic method. Gary Becker suggests that economists do not talk much about how preferences are formed simply because economists do not know very much about it, and so economics is actually described as a method rather than as a subject matter or theory: “maximizing behaviour, market equilibrium and stable preferences, used relentlessly and unflinchingly, form the heart of the economic approach as I see it” (Becker, 1976: 5). Stigler and Becker (1977) find that simply assuming differences in tastes among individuals, and tastes which are unstable at that, leaves us in a position of having to end investigation of observable social phenomena. The economic approach, relying on MI, allows us to develop testable hypotheses. Then, following Friedman’s (1953) method, we can investigate whether we have indeed generated hypotheses consistent with what is observed.

In contrast to the pragmatic use of MI is the Austrian approach, where individualism becomes a world-view of importance in itself, independently of whatever models may arise from it. When Lachmann (1969) describes MI as “the method which seeks to explain human action in terms of plans conceived before action is actually taken”, the method takes the role of the core of the theory itself. Thus Hayek’s (1988) attack on all uses of the “weasel word” *social*, which he feels carries with it a philosophy of humanity and a political program. (Were he alive today his concerns would likely be less with the word “society” than with its replacement, “community”.)

The theme of this essay is that even the “pragmatic” use of MI has led to implications for *normative* economics. Friedman and Stigler and Becker might all

find MI a useful tool for making models which generate falsifiable hypotheses, but welfare economics is quick to take these models further than that.

Amartya Sen (1979: 538) defines *welfarism* as an approach where “social welfare is a function of personal utility levels, so that any two states must be ranked entirely on the basis of personal utilities in the respective states (irrespective of the non-utility features of the states)”. This notion is so much at the heart of almost all normative economics that it is barely noticed. Whether a utilitarian, or someone who thinks that the maximization of aggregate wealth should guide policy, or one who uses a social welfare function which weights more heavily the utility of those less well off, or someone who is unwilling to make any policy recommendation unless it satisfies the Pareto criterion, due to the incomparability of the utilities of different individuals, all are welfarists. With this approach, no non-utility information is relevant in the discussion of policy.

Liberal theorists worry about the *consequentialist* nature of welfarism. It neglects to include any notion of *rights* that individuals might have. Welfarism gives primacy to the “good” rather than to the “right”. Sen has devoted much attention to criticizing the utilitarian nature of welfarism; the social welfare function excludes information about the well-being of individuals that might be quite separate from the utility they experience. But we will concern ourselves with what Charles Taylor has called *atomism*.

3. The Critique of Atomism

The term “atomism” is used loosely to characterize the doctrines of social contract theory which arose in the seventeenth century and also successor doctrines which may not have made use of the notion of social contract but which inherited a vision of society as in some sense constituted by individuals for the fulfilment of ends which were primarily individual. Certain forms of utilitarianism are successor doctrines in this sense. The term is also applied to contemporary doctrines which hark back to social contract theory, or which try to defend in some sense the priority of the individual and his rights over society, or which present a purely instrumental view of society.

Taylor (1985, 187)

But what exactly is wrong with atomism, and what would an alternative look like? Let's focus on what looks like it has the best potential as a rival method of thinking about human interaction. *Communitarianism* is a broad-brush descriptive term for an alternative to both welfarism, and to the more rights-based liberalism. What is the basis of the communitarian critique?

Both rights-based liberal theories of ethics and the economists' welfare economics involve trying to construct ethical systems as something *rational*, here meaning not the opposite of irrational, but rather a system independent of the culture, traditions, and personalities of the individuals who would live in such a

world. "Rational" here is then used in the same sense as in Michael Oakeshott's (1962) essay "Rationalism in Politics". Alisdair MacIntyre (1984) and Michael Sandel (1982) claim that such a project is doomed to fail. The problem is that the project of rationalizing ethics necessarily involves making a description of individual selves. And the description that emerges is of selves who have desires, and perhaps even notions of what would constitute "social justice", but who have no *character*. Having character is more than possessing an endowment of resources and a preference ranking of bundles of goods: "to have character is to know that I move in a history I neither summon nor command, which carries consequences none the less for my choices and conduct". (Sandel, 1982: 179). Taylor's (1985: 3) description of the self centers on the notion that we are self-interpreting, and that this self-interpretation is inextricably linked to a system of values: "... to be a full human agent, to be a person or a self in the ordinary meaning, is to exist in a space defined by distinctions of worth". This implies that we cannot use the natural sciences as a guide to modelling in the social sciences. Although Taylor's concerns are seldom addressed by economists (but see Berger (1991) and Madison (1991) for exceptions), it does echo the lament of Frank Knight (1956: 122): "The position which we have to combat seems to rest upon an inference, characteristically drawn by the 'best minds' of our race, that since natural objects are not like men, men must be like natural objects".

In addition, character, or *self*, cannot be described without reference to those around us. In economists' existence proofs of general equilibrium, self-sufficiency of individuals is axiomatic; the assumption is that each individual can, although it might not be the preferred option, simply consume their initial endowment of goods and still survive. Now of course this does not describe our world. But what is of interest to the communitarians is not that in the real world we lack the physical resources and know-how to simply survive by our wits and strength without exchange with other individuals. It is that interaction with others, and the culture and institutions which govern those interactions, *define our selves*.

This does not mean we lack the capacity to be original, but our selves and our thoughts and the values that shape them must be placed in relation to the language and vision of others. We can only develop our *human* capacities in society; it is only in this world that we develop our rationality and our moral sense.

These ideas are hardly new; they are the core of the politics and ethics of Aristotle. But in the past twenty years or so there has been an effort on the part of some scholars to revive Aristotle's conceptions of selfhood and citizenship.

Why should cultural economists be interested?

4. The Implications for Cultural Economics

4.1. PUBLIC FUNDING OF THE ARTS

The question “why should the state fund the arts?” has always been a central one for cultural economists. And while economic arguments are sometimes brought forth, there is a certain uneasiness with the strength of the case. The market failure arguments are not terribly strong. Certainly there are works of art that function as public goods because they are publicly exhibited at spaces where there is no “rivalry” between users in the economists’ sense, and difficult or impossible exclusion of potential viewers. And economic theory provides a particular way to think about such goods and how much of it should be provided. Where exclusion is possible – say a music concert in an indoor hall – the public good argument does not hold. As for externalities, one gets the strong suspicion of a backwards argument: “we know there is a rationale for subsidizing goods which exhibit positive external effects, we subsidize the arts, therefore arts must have positive externalities”. The external effect is purely speculative, and a non-falsifiable hypothesis at that. And even when the market-failure argument can be made convincing, there is still the hurdle of the critique from the public choice school, concerning what will happen to the good intentions of economists when our theoretical ideas are put into the hands of employees of arts funding agencies who may have very particular ideas about the best disposition of funds. Brighthouse (1995) describes the difficulties liberal theorists encounter when justifying public funding of the arts, arising from the principle that the state must be “neutral” when providing public goods and not favour any group of individuals’ particular conception of what constitutes the good in life.

Does the concept of “merit goods” provide a justification of state support of the arts? First, it should be said that not all economists are convinced that merit goods are about economics at all. Koboldt (1996: 6) gives a terse statement of this view: “Neither the principle of methodological individualism nor the commonly accepted principle of subjectivism will allow for such thing as a merit good or a merit want”. The reasoning is that it is not right to evaluate the preferences of others. At least from Koboldt’s point of view (and of course, many others), merit goods involve the assumption that one person’s preferences are better than another’s; circumstances may arise “where an informed group is justified in imposing its decision upon others”. (Musgrave, 1959: 14). This seems to be a case where MI and political individualism are being tied.

But there is the suggestion that a way forward is to think of merit goods as being about different levels of preferences. This would seem to evade the critique that it is inconsistent with economics. But are we left with something that helps understand actual policy? Head’s (1991) analysis of merit wants is about different levels of preferences an individual might have, from the most basic desires, to preferences formed in the cool, calm of reason, to interests, to those “ethical” preferences we know we should have if only we were stronger and better people. Merit goods, and

the subsidy of positive ones, may be a reflection of our wanting goods subsidized that we know reflect our higher levels of preference but not necessarily our lower ones.

Now whether we think that merit wants are simply one elite group trying to impose their preferences on others, or that they reflect what we want for ourselves, knowing that we will not always follow paths that are in our interest, both of these options are in the atomist tradition; it is the preferences of individuals that guide our ends in life, although some times these preferences are better than other times.

In Richard Musgrave's (1987) entry in the *New Palgrave* on merit wants, written decades after he originated the idea, he raises the notion of "community preferences". And this seems closest in spirit to the idea that perhaps not all human goods are reducible to individual benefits:

Without resorting to the notion of an "organic community", common values may be taken to reflect the outcome of a historical process of interaction among individuals, leading to the formation of common values or preferences which are transmitted thereafter.

If we consider why there is actually any truly public wish to subsidize the arts, it often comes down to this. A person thinks: "I am defined in part by the community in which I live. The state is an instrument which has a tradition of influence in this community, and it is for the good that it supports particular cultural institutions".

If this is the approach taken to (some) cultural goods, then we will have to accept that economic analysis will not be able to solve the problem of "optimal" public provision. Consider the economists' solution to the optimal provision of public goods: a non-rival good should be provided to a level where the marginal cost of provision is equal to the sum of all individuals' marginal benefits from the goods. This Samuelsonian approach depends on the value of the good in question being reducible to the sum of the benefits to each individual. For some kinds of goods, say an improvement in a highway, this might be a reasonable way to begin analysis. But, can all goods be reduced this way? Taylor (1995) introduces the concept of the "irreducible social good". While it might be possible to say of some kinds of public goods, "an improvement in Highway 301 would benefit Tom by \$10 per year, and Dick by \$15, and Harry not at all, etc.", and to simply add the individual benefits, it cannot be true for those institutions of our culture which in a way define who Tom, Dick and Harry are; such goods cannot be reduced to a collection of benefits to individuals. Taylor claims that welfare economists believe that the non-existence of irreducible social goods is a "self-evident truth". That may or may not be a good description of welfare economists, but clearly it is important for us to ask the question.

How does the possibility of irreducible social goods affect cultural economics? ... the free individual or autonomous moral agent can only achieve and maintain his identity in a certain type of culture. ... But these and others of the same significance do not come into existence spontaneously each successive instant. They are carried on in institutions and associations which require stability

and continuity and frequently also support from society as a whole – almost always the moral support of being commonly recognized as important, but frequently also considerable material support. These bearers of our culture include museums, symphony orchestras, universities, laboratories, political parties, law courts, representative assemblies, newspapers, publishing houses, television stations, and so on (Taylor, 1985: 205).

Note that there is no paternalism in this argument, no imposition of one person's preferences on another. It is not an argument for public support of the arts that relies on the notion of externalities or Samuelsonian-type public problems. Instead, it comes from a recognition that there are some institutions which have made us what we are, and that we have an obligation to maintain them.

4.2. COPYRIGHT

Traditionally there have been two approaches to thinking about copyright. One approach, usually associated with the development of law in Anglo-American countries, could be called *economic*. Creative works have the character of being non-rival goods once created. So the efficient price for the copying of works should be zero. But of course that leaves no incentives for authors to create anything at all, leaving us worse off. The second-best solution is to create a temporary, limited monopoly for creators of works on copies. Economic analyses of copyright model the problem by describing the technology and preferences of creators and consumers, and look for the degree of copyright protection that would maximize aggregate wealth; Koboldt (1995) and Landes and Posner (1989) are representative papers in the genre.

The other approach, more associated with the civil-law countries, could be called *rights-based*. In this case the question is what should be the rights assigned to an author given that it is her ingenuity and effort that brought forth the work in the first place; see L.C. Becker (1993) and Gordon (1993) for discussions of this approach, and Goldstein (1994) for a history of copyright written very much in this tradition. Economists tend to be rather dismissive of the rights-based theories of intellectual property, in the same way the Hume was critical of Locke's rights-based theory of property more than two hundred years ago.

In the economic approach, there is no distinction between benefits of the cultural industry to consumers or producers; the goal is simply to maximize the sum of producer and consumer surplus. Indeed, it satisfies the wish of post-modernists to remove the artist from any position of privilege.

The rights-based theories follow two strands. It can be from Locke, who justified the institution of private property generally by moving from the axiom of our ownership of our selves to the derived ownership of the fruits of our labour, with the proviso that "as well and as good" is left for others. Since creative works do not deprive anybody of anything they would have had in the absence of the creative author (there is no copyright against another independently arriving at the same

expression of art, only against their copying), it seems possible to apply Locke's ideas to intellectual property as well as tangible property, if we wish. The other rights-based theory, especially for artistic creations, comes to us from Kant. If works of art are in fact extensions of the personality of the artist, then copying or altering such works without permission are akin to an invasion of privacy. This justification of copyright is the foundation in many civil law countries of the doctrine of moral rights, which legislates that artists are entitled to recognition that they are the creator of a work, and to protection against alteration or mutilation of a work, even after it has been sold to another.

Canada has proven to be fertile grounds for argument between advocates of the rights-based approach and the economics-based approach, it being a country which draws on both English and French legal (as well as linguistic) traditions in the formation of copyright law (Rushton, 1997, 1998). But for all the debates between these two approaches, note that they are both in the atomist tradition. In one case cultural goods are simply products which enter the utility functions of consumers, although the non-rival nature of intellectual works provokes a policy response, and in the other case cultural goods are the property of individual, autonomous artists, who, taking nothing from society, have combined their genius with their labour to produce their works. The economists derive an optimal degree of copyright protection, which is a function of various technical considerations (how expensive is it for those other than the original creator to copy, to what degree must creators rely on other artists' works as inputs in their own works, etc.), and the liberal theorists ask to what degree the natural rights of creators should be tempered by other factors.

Neil Netanel (1996) has tried to break free of this tradition, by thinking about creative works as something inescapably part of community and how we relate to one-another, and then to the implications for copyright law. For him, "copyright is a limited proprietary entitlement through which the state deliberately and selectively employs market institutions to support democratic civil society. . . . Expression . . . is a fundamental building block of democratic association" (pp. 347–348).

In the philosophy of civic humanism, participatory democracy is good in itself, not just as a means to an end. It is part of what shapes us, and defines who we are. For Netanel, intellectual works are necessary for the health of democracy. And although copyright involves ownership and exchange, that is not a complete description: "copyright may operate *in* the market, [but] copyright's fundamental goals are not *of* the market" (p. 341, emphasis Netanel's). Netanel does not advocate abolishing copyright; it is important for authors to be able to earn an income independent of state or private patronage. However, copyright should be of relatively limited term, just long enough to ensure adequate incentives are in place for the production of works. Fair use provisions, essentially the rights of would-be copiers, should be derived with the goal of allowing the dissemination of works in furtherance of the conversation that defines our society, rather than on economic welfare maximization grounds or on the natural rights of authors.

There is an interesting parallel with Oakeshott's (1962) essay "The Voice of Poetry in the Conversation of Mankind", where art is "neither useful nor useless", but a mode of conversation. Indeed, Oakeshott writes frequently of the need for us to recognize the importance of activities we engage in as something good in themselves, separately from the "outputs" that might arise from them. For example, the value of the seminar in which this essay was presented was more than the value of exchange from a producer of a paper to its consumers, but also, and maybe most importantly, as part of maintaining the tradition of open and civil discourse in a free society. Oakeshott sees these activities as the principal value of universities, a view which directly contradicts those vice-chancellors who would insist on calling students "customers". Knight (1956) makes much the same point.

Taylor (1993) draws the distinction between impersonal institutions, like petrol stations, with which our dealings and our reflections on those dealings do not actually define our selves, and other institutions, like the family, which cannot be seen in this way. Taylor's main critique of economists is that they tend to talk about every institution like it was not fundamentally differently from our local petrol station. In his writings on public institutions, and with Netanel's thinking about what works subject to the law of copyright actually mean for our society, we are being asked if cultural life as an institution is closer to being like the market for petrol or like the family.

Now the point in this essay is not to argue for or against Netanel's ideas for what a good law of copyright would look like. But it is rather to point out that if we depart from the social philosophy of atomism, we come to different ideas about what real world copyright law should do.

5. Conclusion

The methodological individualism that guides economic theory is something more than a modelling technique. It has *positive* implications, in that it involves assumptions about the nature of our selves, and it has *normative* implications, in that models which rely on it will yield different policy results from models that don't. For two very important questions for cultural economists – what is the best degree of state support for the arts? and, what is the best copyright law? – methodological individualism is not innocuous. And the issue is not whether preferences are "endogenous". Traditional economics either treats preferences as exogenous for simplicity (*nobody* believes we are born with a full-formed set of preferences), or models the influence of various factors on endogenous preferences. Either way, the principal critique to be made of methodological individualism is that one way or another it takes individual preferences as the determining factor in what is good, indeed as the sole determining factor. Recognition of the notion that we are defined by our culture, that our preferences and notions about "rights" cannot be separated from that, is at the heart of the communitarian critique. It is not about "paternal-

ism”, or about notions of some mystical, organic state. Cultural economists, maybe more than any other economists, will want to take this critique seriously.

Note

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