

## Lionel Robbins' Methodological Individualism in the Light of the Philosophy of Science

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### Abstract

This paper draws on the debate among philosophers of science in the 50s in order to claim the novelty of Lionel Robbins' approach to methodological individualism. Robbins' *Essay* has been widely debated; the present paper adds a new twist to this literature by arguing that his approach to methodological individualism cannot be classified as Psychological Individualism, Subjective Individualism nor Institutional Individualism. Hence it is suggested that his approach be dubbed "as if individualism". Robbins acknowledges that the future is uncertain, but argues that as a first approximation the human being should be treated "as if" he was a completely rational isolated individual. This "as if" conception of the human being still prevails among mainstream contemporary economics and Institutional Individualism provides an alternative to the shortcomings of mainstream contemporary economics.

**Keywords:** Lionel Robbins. Methodological Individualism. Reductionism. Collectivism. Institutional Individualism.

### Resumo

O presente artigo discute a abordagem distinta de individualismo metodológico em Lionel Robbins à luz do debate entre filósofos da ciência na década de 50. Muitos autores estudaram o *Ensaio*; o presente artigo contribui para essa literatura com o argumento de que o individualismo metodológico em Robbins não pode ser classificado como individualismo psicológico, individualismo subjetivo ou individualismo institucional. Portanto propõe-se que a abordagem de Robbins seja denominada "individualismo *as if*". Robbins admite que o futuro é incerto, mas argumenta que como uma primeira aproximação o ser humano deve ser

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tratado como se fosse um indivíduo isolado com racionalidade completa. Essa concepção *as if* da natureza humana prevalece entre economistas ortodoxos contemporâneos e o individualismo institucional é uma alternativa à economia ortodoxa contemporânea.

**Palavras-Chave:** Lionel Robbins. Individualismo Metodológico. Reduccionismo. Coletivismo. Individualismo Institucional.

### Introduction

I have based my propositions on the actual practice of the best modern works on the subject [...] For the views which I have advanced, I make no claim whatever to originality [...] my object has been to state, as simply as I could, propositions which are the common property of most modern economists (Robbins, 1969 [1935], XV)

In the preface to his book, Robbins contentiously argues that there is no novelty in his argument, and that his methodological essay simply reflects the “best modern works” in economics such as von Mises and Philip Wicksteed.

Robbins starts his essay by arguing that the definition of economics advanced by Anglo-Saxon writers such as Marshall, Davenport, Cannan, Beveridge and Pigou, all of them related to the material welfare of the society, is not adequate and that “a more satisfactory state of affairs is coming to prevail elsewhere”. He claims that the definition of a science cannot precede the creation of a science and that only recently did economics acquire sufficient unity such that a proper definition could be formulated (Robbins, 1969 [1935], p.1-2). Furthermore, “English economists are not usually interested in questions of scope and method” (Robbins, 1969 [1935], p.9). His rhetorical argument that his definition of economics is a product of its time, on one hand, does not take into account the pluralism that characterised economics during the interwar period and, on the other hand, although it is a moot point the extent to which Robbins’ definition influenced economics, it surely played a role on laying the foundation of economics after the WWII. As Backhouse and Medema (2009) have shown, although Robbins’ definition would not gain widespread acceptance until the 60s, eventually the standard textbooks would be populated with the first lesson an undergraduate heartedly

learns: “Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses” (Robbins, 1969 [1935], p.16).

Duarte and Lima (2012, p. 1), referring to Backhouse and Medema, argue that

[t]he priority of microeconomics appeared to the proponents of microfoundations as the inevitable consequence of the very notion of economics understood, as Lionel Robbins (1932) famously put it, as the study of choice under constraint. It is probably no consequence that microfoundations began to gain their greatest traction only in the 1970s since [...] Robbins’ definition finally conquered mainstream economics only at about that time.

The present paper argues that Robbins’ essay contributed in establishing a particular form of methodological individualism that had long lasting implications for economics. Robbins’ *Essay* may be understood as a point of departure to address the ever increasing reductionism of Economics and its isolation from the other social sciences. The novelty of Robbins’ approach is analysed in the light of the literature in the philosophy of science in the 50s and 60s. The work is organized as follows. Section one outlines some concepts used throughout the paper. Section two provides a brief history of methodological individualism. Section three argues that individualism and collectivism are not mutually exclusive. Section four illustrates this by presenting Institutional Individualism as an alternative to reductionism; this approach is a *via-media* in which both individuals and institutions are arguments in the *explanans*. Section five claims that Robbins’ approach to methodological individualism is novel when compared to the different approaches outlined in the previous sections. Sections six concludes.

## 1) Preliminary Concepts

For the sake of clarity, a few concepts widely used throughout this paper need to be defined at the outset: reductionism, methodological individualism, holism and collectivism.

Borrowing Schaffner’s definition (1967, p.137, emphasis original): “Intertheoretic explanation in which one theory is explained by another theory, usually formulated for a

different domain, is generally termed *theory reduction*". It must be noted that although the word reduction connotes explanation of some phenomena by its constitutive parts, it need not be the case. One can explain social phenomena by the behaviour of the individual, but the reciprocate is also true (e.g. the role of classes in Marx of religious beliefs in Weber). The present paper addresses the former, hence for the ease of exposition the word reductionism refers to micro-reduction, i.e., bottom-up explanations.

There are many variants of methodological individualism, the three most important are psychological / psychologistic individualism, institutional / institutionalistic individualism and Subjective Individualism. This paper assesses the shortcomings of Psychological Individualism and presents Institutional Individualism as an alternative; Subjective Individualism will be dealt to a much lesser extent.

As Agassi (1975, p.144-147) explains, individualism is not to be confused with psychologism and one should distinguish "psychologistic individualism" from "institutionalistic individualism". Individualism ascribes the "power to act [...] only to individuals; not to collectives", however that does not imply psychologism, which claims that social theory can be fully explained by psychology (using also laws of physics and biology). Brodbeck (1954, p.140-141) distinguishes two forms of psychological reductionism; the first is quite similar to what Agassi dubs "psychologistic individualism", namely the "Galilean-Newtonian tradition" which argues that "social theory is, in some sense, reducible to psychology which in turn, through physiology, is reducible to physics". The second form of reductionism (e.g., Hayek), argues that the "behavior of groups must be explained in terms of the behavior of individuals; but the psychology of individuals cannot be reduced to anything else". Zouboulakis (2002, p.30), in the same vein, distinguishes "Psychological Individualism" from "Subjective Individualism". "Psychological Individualism", by its turn, has a "hard version" called "psychologism" (e.g., behaviourism) and a "softer version [...]" This is the version of MI [methodological individualism] of the Marginalist and Neo-classical economists from Jevons and Walras up to Pareto and Hicks". Subjective individualists argue

that individuals are subject to uncertainty and that in order to understand them introspection is required (e.g., von Mises, Hayek, Lachmann).

Zouboulakis' distinction between a "hard version" and a "softer version" is not very illuminating, on one hand it obfuscates the impact of behaviourism upon neoclassical economics through Samuelson's (1938) formulation of the weak axiom of revealed preference and its subsequent development (See Hands, 2006, 2010), on the other hand it does not account for the striking differences between the "old marginalists" and "neoclassical economics", which will be briefly assessed in the section about Lionel Robbins. Although it is out of the scope of this paper to discuss these matters thoroughly, for now it suffices to say that Pareto and Hicks were important players in the "ordinalist revolution"; hence whereas Jevons is closer to the "Galileian-Newton tradition" abovementioned, Pareto and Hicks make no claim of reducing psychology to physics through physiology.

One must be aware that some authors use the term methodological individualism to refer to Psychological Individualism without accounting for the distinction, nevertheless this should be clear by the context.

Finally, although holism and collectivism can be distinguished (See Brodbeck 1954, p.155) for the purpose at hand they will be used interchangeably, furthermore most of the literature does not make such distinction and it would not add much to the main claim here presented.

## **2) A Brief History of Methodological Individualism: From Hobbes to Popper.**

According to Udehn (2002), the debate between methodological individualists and methodological holists is one of the most persistent debates in the social sciences; he identifies three periods of intense debate: i) the end of nineteenth century and beginning of the twentieth century, ii) post World War Two, particularly in the 50s and iii) 1980 onwards; a debate related to the spread of rational choice from economics to the other social sciences which has not ended yet. The present paper assesses Lionel Robbins' methodological

individualism in the light of works in philosophy of science in the 50s and 60s. It is out of the scope of this paper to discuss economics imperialism.

King (2012, p.53-54) notes that no prominent economist participated in the intense debate around methodological individualism that started in the 50s. Robbins' absence on this debate is remarkable, since the inspiration for this debate is to be found in Popper and Watkins, both at LSE at this time. Further, "[e]conomics is mentioned at several points in Watkins's article ... [he] thanks J.E. Meade and Lionel Robbins for providing economic examples to illustrate his own argument". King also notes that there was a political motivation underlying this debate:

It is not entirely clear why the question should have become important to social theorists at this time [...] There was probably a political motivation with methodological individualism being seen as an antidote to the collectivism and the potentially totalitarian Hegelian holism attributed to Marx and (with more justice) to some of his followers. A more narrowly academic motivation would have been supplied by the contemporary controversy between Marxists and Weberians on the nature and origins of bureaucracy, which was a very live issue in the early stages of the Cold War.

Although a lively debate took place on the 50s, methodological individualism has a much longer history. Udehn (2002, p.480-481) claims that the theory of social contract is the first individualist theory, which can be traced back to the Greeks (Sophists and Epicurus) and resurfaced in the sixteenth and seventeenth centuries in the works of Hobbes and Locke:

Rational and self-interest as they are [...] individuals institute a sovereign and authorize her/him to make sure that people do abide by the law. Hobbes's theory of the social contract is an early example of a rational choice explanation of a social phenomenon [...] It is also extremely individualistic, since it explains the rise of civil society, not just in terms of individuals, but in terms of individuals living in a state of nature [...] The most conspicuous feature of the state of nature is the lack of society and of culture.

The author identifies the theory of social contract as the first of three paradigms that explain social order through individualistic theories, the other two are Walras and Menger.

Udehn (2002) argues that the Scottish Enlightenment is an example of Institutional Individualism for individuals are not asocial; rather they are shaped by institutions and hence

sociocultural beings. The author claims that in the 1870s economics became an individualistic science, although he notes that Marshall is an exception and may also be considered an institutional individualist. It is hard to agree with Udehn that economics became an individualistic science in the 1870s, this seems to imply that marginalism was promptly accepted. Furthermore, it seems as though the “old marginalists” stance towards the individual has not changed throughout the first half of the twentieth century. In fact, conflating the “marginalists” and “neoclassical economics” overshadows important issues in the history of economic thought and imposes a linear development of economics which is hardly true. Finally, Udehn (2002, p.484) with respect to Menger, notes that he “did not use the term himself, but there is little doubt that his ‘atomistic method’ is the main source of the doctrine later called ‘methodological individualism’”.

Hence, although methodological individualism was coined in 1908 by Schumpeter (Udehn, 2002; Hodgson, 2007), the idea itself has a much longer history.

Schumpeter’s use of the term was quite different from what has become standard after 1950, his intent was to propose a “division of labor” for the conflicting sides of the *Methodenstreit*. In that sense, methodological individualism was not an universal principle, but a demarcation of the “pure theory” of economics as opposed to other approaches (Hodgson, 2007, p.213).

The role of methodological individualism in Weber is an open question. Udehn classifies him as a subjective individualist (although he does not use this expression). King (2012, p.53) argues that Weber “was not a consistent methodological individualist; sometimes he was a structuralist, or materialist, as Marx”. Agassi (1960, p.261) takes a different route by arguing that “Weber’s approach is on the borderline between psychologism and institutionalism”. Be it as it may, the impact of Weber’s work should not be underestimated, as Agassi (1975, p.145) explains:

I tend to consider as one of the most significant changes in twentieth-century philosophical practice, to be that of a shifting in debates concerning doctrines from ontology (theory of what there is) to methodology (theory of the study of whatever is

there). It seems to me to be the joint invention of Max Weber and Ludwig von Mises popularized and entrenched with the aid of Hayek and Popper (Agassi, 1975, p.145).

The Austrians may have such a fundamental role due to their novel approach towards methodological individualism:

Its point of departure, at least from Weber and onwards, is individuals as cultural beings living in society. According to Weber, von Mises, and von Hayek, economics and sociology are cultural sciences. This does not imply any break with methodological individualism, however. Society and culture are subjective phenomena existing only in the minds of individuals, or epiphenomena [...] I call this the “ontological twist,” because it saves methodological individualism by transforming it into an ontological thesis about the ultimate nature of society (Udehn, 2002, p.487).

Lukes (1968, p.120) dubs this approach “Truistic Social Atomism”, a theory “made up of banal propositions about the world that are analytically true, i.e. in virtue of the meaning of words”

Hodgson (2007) identifies three ambiguities regarding methodological individualism. The first ambiguity is whether it refers to a “universal methodological imperative”, as most economists would argue (although not philosophers), or if it is a “(sub)disciplinary demarcation device”, as in Schumpeter’s original formulation. The second ambiguity is related to Udehn’s “ontological twist” above mentioned. There is often a conflation of social ontology and social explanation, as if the former implied the latter. The third ambiguity is whether explanation is to be couched solely on individuals or upon individuals and their interactions with other individuals, these ambiguities will be further explained throughout the text.

After Schumpeter first used the term it laid dormant for a while, receiving brief mentions in the 30s by Hicks (1934) and Machlup (1937). In the 40s the Austrians explicitly stated their methodological stance as individualists, Hayek (1942) and von Mises (1949) for instance. “Perhaps influenced by his friendship with Hayek, Karl Popper (1945a) mentioned the term briefly in an article in *Economica*. Popper (1945b) developed his interpretation of the concept and brought it to the attention of philosophers” (Hodgson, 2007, p.212).

Popper's use of methodological individualism involved ambiguities and led into two different directions by his students Watkins and Agassi which inaugurated a period of intense debate among philosophers of science.

Popper's conception of methodological individualism was not free of ambiguities<sup>1</sup> which led his students Watkins and Agassi in different directions; Watkins defended Psychological Individualism whereas Agassi advocated Institutional Individualism.

Popper's disciple Watkins is a proponent of Psychological Individualism: "This means that social institutions are excluded from the description of the situations of individuals". Udehn calls this approach an "ontological truism", but notes that it is also grounded on epistemology since people acquire knowledge only from other individuals, not from "social wholes" (Udehn, 2002, p. 488-489).

The ontological and epistemological justification are commonplaces among psychological individualists. Underlying the ontological justification, Lukes (1968) explains, are two claims: i) individuals (but not social phenomena) can be observed and ii) individuals (but not social phenomena) are easy to understand. He rejects both by means of the following examples: one can observe the procedure of a court but not the intentions of individuals being trialed, furthermore the procedure of the court is much easier to understand than the motives of criminals.

Udehn (2002) argues, nevertheless, that one may be an ontological and epistemological individualist without being a methodological individualist. Furthermore the attempt to endogenize all social institutions is not possible due to the problem of infinite regress, i.e., at least one institution must be taken at given in order to explain the others. He also notes that even if one assumes that social phenomena can be reduced to psychology in principle, whether this reducibility is possible in practice is a different issue.

Assuming that reducibility is possible in practice and desirable, one could rightly ask why should the individual be the starting point, why not reduce the individual to its constituent parts? Hence, even if all institutions could be endogenized the problem of infinite regress

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<sup>1</sup>It is out of the scope of this paper to discuss these ambiguities, see Redman, 1993, p.103-141)

would still be problematic for the reduction of social phenomena to its constituent parts in the sense that

if explanatory reduction to micro-components were the legitimate aim, then this would be no justification for claiming that rockbottom explanations are in terms of individuals. Instead we would face the daunting task of attempting to explain all social phenomena exclusively in terms of the most elementary subatomic particles (Hodgson, 2007, p.222).

Lukes (1968, p.126) concurs with Udehn and Hodgson about the difficulty of achieving reducibility in practice:

This could logically be achieved either by developing a theory which will explain the 'historical, economic, sociological ... anthropological context' exclusively in terms of (e.g.) the central nervous system or by demonstrating that this 'context' is simply a backdrop against which quasi-mechanical psychological forces are the sole causal influences at work [...] no-one has given the slightest clue as to how either alternative might plausibly be achieved, there seems to be little point in taking it seriously, except as a problem in philosophy. Neuro-physiology may be the queen of the social sciences, but her claim remains entirely speculative.

As a parenthesis, almost fifty years after Lukes' paper, it could be added that neuroeconomics project of providing the foundations of economics cannot be expected to be accomplished in the foreseeable future. Furthermore, even if such reduction was possible: "Reduction provides an explanation, not a substitute [...] Even with the reduction, the science of psychology remains what it is. Greed is still greed, not a congeries of atoms and electrons" (Brodbeck, 1954, p.149-150)

Closing our brief history of methodological individualism, we draw on Udehn's (2002, p.499-500) five versions of methodological individualism: i) the theory of social contract, ii) Walras' theory of general equilibrium and his followers, iii) Austrian economics, iv) Popper and v) Coleman. Udehn identifies a historical tendency (although not linear) from more extreme versions of methodological individualism to lesser ones. Furthermore, he proposes four labels for these different versions: i) "natural individualism" describes versions one and two since sociocultural elements play no role, ii) The Austrians version is described as "social individualism", iii) "Institutional Individualism" denotes Popper's approach and iv)

Coleman's "structural individualism", which is the dominant version among sociologists and marxists. Further, he dubs versions one to three as "strong methodological individualism" (institutions are endogenous), whereas versions four and five are "weak methodological individualism" (institutions are exogenous).

This last distinction introduces our next topic; the "strong version" of methodological individualism supposedly implies that institutions are endogenous and hence individualism and institutionalism are mutually exclusive. It will be argued that it is not possible to endogenize all institutions, as a corollary individualism and collectivism are not mutually exclusive.

### 3) Individualism and Collectivism: Mutual Exclusion?

Udehn's analysis of methodological individualism has one shortcoming. As argued above, he acknowledges that it may be impossible to endogenize all institutions due to the problem of infinite regress, if that is true one could rightly question whether it is possible for a methodological individualist (even the strictest of them, or "strongest" in his terminology) to build a theory in which individuals are completely asocial. In other words, do sociocultural elements really play no role at all in the "strong versions" of methodological individualism? The answer must be negative; however limited the importance of sociological elements in more extreme versions of methodological individualism, it seems more appropriate to argue that there is a spectrum of importance attributed to sociological elements among different methodological individualists rather than take a binary posture as Udehn does. He hints at this when he talks about infinite regress, nevertheless his "weak" and "strong" versions do not account for the fact that there is no theory which is exclusively individualistic. There is inherently a social component to any social theory, even if implicitly.

Lukes (1968) shows that methodological individualism cannot claim to be strictly individualistic. Furthermore, methodological individualism and methodological collectivism

are not incompatible *per se*, what renders them mutually exclusive is the assertion that only individuals or collectivities matter:

[S]ocial systems constitute “wholes” at least in the sense that some of their large-scale behaviour is governed by macro-laws which are essentially *sociological* in the sense that they are *sui generis* [...] the behaviour of individuals should (according to sociological holism) be explained at least partly in terms of such laws (perhaps in conjunction with an account first of individuals’ roles within institutions and secondly of the functions of institutions with the whole social system). If methodological individualism means that human beings are supposed to be the only moving agents in history, and if sociological holism means that some superhuman agents or factors are supposed to be at work in history, then these two alternatives are exhaustive. (Lukes, 1968, p.121, emphasis original)

Nevertheless, methodological individualism does not necessarily mean this. As Lukes (1968, p.123-124) explains, there is a “continuum” of “individual predicates” ranging from “most non-social to most social”. For the sake of the argument he classifies these predicates in four groups: i) does not presuppose consciousness nor social groups, ii) presupposes consciousness but not social groups, iii) presupposes a social context, but only implicitly and iv) “are maximally social, in that they presuppose and sometimes directly entail propositions about particular types of group and institution”.

The take-away message of Lukes’ paper (1968, p.126-127) is that methodological individualism can be rendered harmless as long as explanations focused on individual actions refer to the fourth predicate. This is so because, with respect to predicates one and two, “no-one has yet provided any plausible reason for supposing that, e.g., (logically) presocial drives uniquely determine the social context or that this context is causally irrelevant to their operation”, predicates of type three, although may be useful, cannot be taken as an universal principle:

Why rule out as possible candidates for inclusion in an *explicans* [...] statements that are about, or that presuppose or entail other statements that are about, social phenomena? [...] Finally, if the claim is that the individual predicates must be of type (iv), then it appears harmless, but also pointless [...] propositions incorporating them presuppose and/or entail other propositions about social phenomena. Thus the latter have not really been eliminated; they have merely been swept under the carpet

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Hodgson (2007) concurs with Lukes, he argues that there is no example of methodological individualism that excludes completely social phenomena, even if it is only implicit. He identifies an ambiguity as to whether explanations should be solely in terms of individuals or in terms of individuals and their interactions with other individuals. Whereas the former has never been achieved yet, the latter necessarily implies some level of socialization, even if minimal. Watkins and Popper, for instance, advocated the inclusion of individuals plus interactions among them in the *explanantia*. Hayek goes even further, for he requires not only interactions among individuals, but that individuals interact with the environment. Hence, even the three most widely debated practitioners of methodological individualism define it in an ambiguous manner which admits some role for sociological elements. General equilibrium theory, likewise, presupposes that individuals communicate with each other and thus language (and its rules) is required, hence even if it is not explicit in general equilibrium models, relations between individuals are structured and individuals' actions are not independent of institutions.

Hodgson (2007) suggests that if this is the case why continue using the concept of methodological individualism? That is certainly a legitimate question, the term may be misleading for its supposedly exclusive focus on individuals is untenable. Nevertheless, the term has been widely used for over a hundred years and it will probably continue to be used, hence rather than suggesting its end a more fruitful avenue might be to clarify the limits and advantages of its different versions. In spite of the apparent impossibility of explaining social phenomena wholly in terms of individuals, the point at hand is that there is a spectrum of importance attributed to social phenomena. Thus, the approach of Watkins and modern economics can be criticised not for the absence of social phenomena, but for the limited role that it plays. For, even if one could explain social phenomena completely in terms of individuals, the question remains whether that is desirable. As argued above, reducibility provides an explanation, not a substitute. Further, individualism and collectivism are complements, not substitutes.

If macro phenomena cannot be explained solely in terms of individuals, obversely individuals cannot be understood without taking account of the “social embeddedness” of human behaviour, “the argument that the behavior and institutions to be analyzed are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding” (Granovetter, 1985, p. 481-482). Borrowing Mandelbaum’s (1955, p.307) expression, there are “societal facts” concerning the organization of society which are as important as “psychological facts”. He illustrates his argument by arguing that if one was to explain to a Trobriand Islander how a bank transaction works he would not be able to do so without resort to some preliminary explanation of the role of banks in our society. By the same token, one would hardly comprehend the behaviour of Trobriand islanders if not aware of Malinowski’s (1920) system of ceremonial exchange of gifts. Thus, behaviour is unintelligible unless status and role are acknowledged. This is not to say that behaviour can be reduced to “societal facts”: “I do not wish to claim that an individual’s thoughts or his overt actions are wholly explicable in terms of status and roles [...] two individuals, say two bank tellers, may behave differently towards me in spite of the identity in their roles” (Mandelbaum, 1955, p.309). To claim that individuals can be fully explained by sociological elements is the methodological counterpart of Psychological Individualism, neither approach is satisfactory, for they constitute “undersocialized” and “oversocialized” conceptions of human action (Granovetter, 1985).

The “undersocialized” approach that came to prevail in economics, according to Lewin (1996), was a side effect of the debate around the relationship of economics and psychology during the first half of the twentieth century. This debate gained currency whereas the institutionalist critique consisting of placing “a greater emphasis on the evolution of institutions and the social embeddedness of economic activity” was sidestepped (Lewin, 1996, p.1300). To neglect the importance of sociology for economics is unfortunate, for in order to understand the psychological determinants of behaviour one must take sociology into account since culture, norms and so on influence behaviour. Moreover, since economics and sociology are related there is room for mutual gains if this dialogue is re-established.

According to Goldstein (1956, p.801), Hayek, Popper and Watkins are the most important accounts of the principle of methodological individualism, however “it cannot be said that they have attempted to provide a systematic argument in defense of it” (for a detailed discussion of Hayek’s methodological individualism see Brodbeck, 1954; an alternative interpretation that sheds doubt on Hayek’s methodological individualism - at least on his later works when he abandoned the term - is available in Hodgson, 2007).

As Goldstein (1956, p.802-803) explains, acknowledging that there are no social systems without people is not sufficient for defending methodological individualism. Methodological collectivism does not mean that collectivities exist independently of people, “not even the stronger doctrine of ontological collectivism (e.g., Hegel) requires such an absurd thesis”. The point at hand is that

there are problems confronting social science that require solutions not amenable to individualistic analysis and yet are not holistic or historicistic. Methodological collectivism does not deny that there is much to be usefully learned from the study of the individualistic aspects of human action

In this sense, “[i]n most of their activities people behave in culturally sanctioned ways”. Her main criticism towards methodological individualism is that it is incapable of dealing with “theoretical questions of institutional development and change”.

The incapacity to address institutional development and change is a result of methodological individualists tendency to focus on synchronic social research (where sociocultural context is taken as given) rather than diachronic social research (what caused a given sociocultural context to be what it is). Whereas they are not mutually exclusive and a researcher may use both approaches to answer different questions, the point is that “methodological individualism implicitly rules out the possibility of diachronic social research” (Goldstein, 1956, p.808). An individual might plan his daily activities without considering social change, however the government makes decisions based on a much longer timespan and hence public policies are likely to fail if they do not incorporate diachronic social research .

Goldstein (1956, p.807-808) argues that “Mr. Watkins views all non-individualistic theories as necessarily holistic”, in order to show that this is not necessarily true she draws on Murdock’s anthropological theory of kinship nomenclature which is neither individualistic, holistic nor historicistic:

There is no appeal to the nature of the whole [...] Professor Murdock claims no inevitable necessity for the kind of change he describes. But he does insist that whenever the theoretically necessary and sufficient conditions obtain for some determinate kind of kinship system, then we may reasonably expect that kind of system to appear

To sum up what has been said in this section, methodological collectivism is not the opposite of methodological individualism. The former does not rule out the importance of analyzing the behaviour of the individual and the latter does not expunge social phenomena from its theory, even if it is only implicit. In a nutshell:

What we know about social systems we have learned from observing the behavior and probing the thoughts of particular human beings. Furthermore, the only way to test the truth or falsity of any diachronic theory of sociocultural change would be to observe individual behavior [...] What methodological collectivism does not admit is that all the general conceptions of social science may be exhaustively analyzed in terms of the actions, interests, and volitions of specific individuals [...] inasmuch as the problems of social science differ from those of psychology [...] the claim that all sociocultural concepts are, in the end, psychological is untenable. While the experience of each person is subjective, neither the content nor the occasion of the experience is. I strongly suspect that no little amount of confusion on this point stems from the failure to distinguish between the psychological and the phenomenological or sociocultural concepts of mind (Goldstein, 1956, p.812-813).

Institutional Individualism, our next topic, illustrates that there is no inherent tension between individualism and collectivism. This approach is an alternative to reductionism for it denies both micro-reduction and macro-reduction.

#### **4) Institutional Individualism as an Alternative to Reductionism**

Popper's inconsistencies led into two directions by his students Watkins and Agassi. Watkins defended Psychological Individualism whereas Agassi advocated Institutional Individualism ("institutionalistic individualism" in his terminology).

Institutional Individualism argues that individuals simultaneously shape and are shaped by institutions. It denies psychologism for social phenomena cannot be fully explaining by psychology, on the other hand it disagrees with subjectivism for it does not rule out deductive-nomological explanations in the social sciences.

The most interesting feature of Institutional Individualism is that it accounts for feedback effects of social phenomena upon individuals. In that sense institutions are not endogenous, they are arguments in the *explanans*. It has been said that reductionism can work from micro to macro or the other way around; Institutional Individualism denies both approaches. Hence, in the context of economics, an institutional individualist would neither pursue microfoundations nor macrofoundations. Rather than "foundations", he would search for "bridges" among individuals and society; a horizontal relation between them instead of a vertical one is what defines an institutional individualist approach to economics.

Early practitioners of Institutional Individualism can be found among the Scottish Enlightenment and Marshall (Udehn, 2002), Adam Smith (Song, 1995) and John Stuart Mill (Zouboulakis, 2002).

The term was created by Agassi in 1960 and further developed by him in 1975. In his 1975 paper the concept of "institutionalistic individualism" is much better explained and his argument in will be summarized in what follows.

A methodological individualist need not adhere to "psychologistic individualism", for institutionalism denies psychologism claim of reducibility by arguing that "there exist distinct social yet not psychological entities (called institutions, customs, traditions, societies, etc.)". Agassi argues that individualism is not necessarily opposed to collectivism or holism, under which "individual ends and decisions are created by social forces". He defines holism as follows: "1. Society is the 'whole' which is more than its parts (holism). 2. 'Society' affects the individual's aims (collectivism). 3. The social set-up influences and constrains the

individual's behaviour (institutional analysis)". Individualism, on the other hand, is the doctrine that claims that "1. Only individuals have aims and interests (individualism). 2.) The individual behaves in a way adequate to his aim, given his circumstances (rationality principle). 3) The social set-up is changeable as a result of individual's action (institutional reform)" (Agassi, 1975, p.146). These propositions are not mutually exclusive and one could endorse all of them. Hence, holism and individualism would only be opposites if in addition to these propositions one argued that "wholes" have distinct aims when compared to individuals, as if the social structure was an organism that exists independently of individuals. In the same vein, Udehn (2002, p.500-501) argues with respect to his "weak" version of methodological individualism abovementioned that it "makes it difficult to continue talking about individualism and holism as opposite doctrines", this is so because:

"With the occurrence of institutional and structural individualism on the scene, important holistic elements were included in methodological individualism. The result is that the previous line separating methodological individualism and holism has become blurred and the two doctrines no longer appear as clear-cut opposites. Weak methodological individualism is a mix, or synthesis, of individualistic and holistic elements".

By the same token, Agassi (1975) explains that psychologism and institutionalism are only to be taken as opposites if one argues that either society or the individual are primary. However, as long as one views neither of them as primaries these apparently dissonant positions can be reconciled. Hence, by dropping the primariness both "wholes" and individuals one can argue that individuals shape society (psychologism), but that "wholes" also shape the individual (institutionalism). Thereby, he argues that there are four methodological combinations and provides the following examples: i) psychologism / individualism: "[D]eveloped by the more traditional eighteenth-century writers from the classical economists, sociologists, and psychologists", ii) institutionalism / holism: "[T]he romantic nineteenth-century tradition and its offshoots, especially Marxism and functionalism", iii) psychologism / holism: "There are rare examples of writers who abide by [...] holistic psychologism; the only important instances of it are two, I think: Plato's division of the state into three classes in parallel to the division of the mind into three faculties, and

Carl G. Jung's theory of the collective subconscious" and iv) institutionalism / individualism (Agassi, 1975, p.149-151). The only example of individualistic individualism he provides is Popper. Whereas in his 1960 (p. 244) paper he claims that "institutionalistic individualism, which I consider to be Popper's great contribution to the philosophy of the social sciences", fifteen years later his position is more nuanced, noting some tensions of Popper's work: "I find Popper's theory slightly out of focus: his moral philosophy seems to me to be too often more in accord with psychologistic-individualism [...] *a point which can be modified with no great effort*". (Agassi, 1975, p.154, emphasis added). Nevertheless, in spite of such tensions he still ascribes some elements of Popper's work such as situational logic to "institutionalistic individualism" and ends his text by claiming that

many thinkers seem to have felt the need for a *via media* between the two traditional views, psychologism and collectivism, and even for a consistent synthesis between the reasonable elements in them. I maintain that Popper and his commentators have finally succeeded in carrying out this intuitively felt programme, thus rendering explicit the approach which in fact underlies the fruitful and reasonable part of existing institutionalist social studies, while retaining the central thesis of individualism, namely the thesis that only individuals have aims and responsibilities (Agassi, 1975, p.154-155).

In a nutshell, Agassi's main goal in the text is to advocate for Institutional Individualism as being able to incorporate all relevant propositions of individualism, psychologism, institutionalism and holism just as long as society is not taken as an organism in the sense that it has goals of its own, and that neither the individual nor society are taken as primary:

[W]e may assert that 'wholes' do exist (though, of course, not in the same sense in which people exist), but they have no (distinct) interests. These 'wholes' are social groups as well as social institutions - in the widest sense of the word, and covering a wide variety, from customs to constitutions, and from neighbourhoods to states. An institution may have aims and interests only when people *give it an aim*, or act in accord with what *they consider should be its interests*; a society or an institution cannot have aims and interests of its own. Yet, both the individual and society are now taken as primary, at least in the sense that we cannot reduce psychology into sociology and we cannot reduce sociology into psychology [...] the very claim that both the individual and society are primary, weakens the sense of primariness [...] in a sense institutionalistic individualism cannot admit any primary society (Agassi, 1975, p.152, original emphasis).

Agassi (1975, p.153-154) considers “holist social dynamics” to have no explanatory power whereas psychologistic individualism attempts to keep track of the interactions of many individuals infeasible. Further, neither approach would suffice to explain feedback effects. He illustrates this point with an example: suppose that institutional circumstances are such that workers decide to create a trade union, this trade union will in turn influence other workers to create a trade union as well, as an effect employers will tend to form organizations to defend their own interests, finally there will be organizations on both sides which will in turn affect the relations between workers and employers. The government may, in turn, intervene through legislation given these circumstances. “Thus, unintentionally, the first trade union organizers have started a social avalanche”.

Our last topic, Lionel Robbins’ *Essay*, will be addressed in the light of the discussion thus far. Particularly, it will be highlighted the novelty of his approach to methodological individualism when compared with anyone who preceded him. Robbins’ *Essay* can be seen as the methodological expression of the rupture that was taking place in the interwar period. However, the *Essay* is not merely a product of Robbins’ intellectual influences; his novel approach to methodological individualism had long term implications for the development of economics.

### 5) The Nature and Significance of Robbins’s *Essay*

“Life is short. Nature is niggardly ... The Manna which fell from heaven may have been scarce, but, if it was impossible to exchange it for something else or to postpone its use, it was not the object of any activity with an economic aspect” (Robbins, 1969 [1935], p.13)

What distinguishes Robbins’ definition from the “material welfare” definition that preceded it, is that whereas the latter is “classificatory” in the sense that it analyses particular kinds of behaviour, the former is “analytical”, examining but an “aspect” of behaviour, thus in a spirit that would later suit economic(s) imperialism he claims that “[t]here are no limitations

on the subject-matter of Economic Science save this” (Robbins, 1969 [1935], p.16-17). Parsons criticised him for defining a method instead of a subject matter (Milonakis and Fine, 2009, p.218). Interestingly “economic imperialism” was coined by Souter in 1933 as a response to Robbins’s book, although it would only materialize a few decades later with Becker. Souter envisaged two possible consequences of economic(s) imperialism, one being the enslavement of other social sciences to economics and the other being the enrichment of economics:

This involves the idea that the other social sciences will positively influence economics rather than being simply subordinated to it. Souter’s hopes even point to the possibility of a reverse imperialism [...] Does economics colonise the other social sciences or do they ‘civilise’ economics, or make it more socially and historically rounded, by adding their own insights and approaches? (Fine and Milonakis, 2009, p.16)

A caveat must be considered. Many criticisms directed at Robbins are a misunderstanding of his work. The *Essay* is an attempt to separate the “pure science” of economics from political economy. Hence, the division of positive and normative economics must be understood in these terms. It is not that Robbins argued that ethics played no role in the formulation of public policy, however normative issues did not belong to the work of the economist *qua* economist. Many excerpts from the *Essay* and his other works indicate Robbins’ awareness that the “pure science” of economics in itself would not suffice to formulate public policies. Here is not the place to develop this argument thoroughly. It should be clear, though, that what is here described as the legacy of Robbins to economics should be understood as the unintended consequence of Robbins’ *Essay*. Hence, in what follows it is discussed the influence that Robbins had upon the development of economics and not what his project actually was. In some sense Robbins was misunderstood due to semantics since he referred to economics as meaning something different from political economy, but acknowledging that both should coexist. Since he was writing in a time when the use of the term political economy was increasingly being substituted by economics, he was a victim of terminology (see Masini, 2007).

According to Hands (2009, p.836), the three goals of Robbins' essay were to define economics as the science of scarcity-constrained rational choice, to lay an epistemological foundation not based on hedonism and, as a corollary, to endorse the ordinalist revolution making the case against interpersonal utility comparisons. Although it is useful to identify these three goals and discuss them separately, one could argue that they can be taken together and understood as parts of the same project; for the purpose at hand Robbins' three goals will be treated as an attempt to provide a more solid foundation for marginalism shifting the focus from hedonism to choice: "Economics is not concerned with ends as such" (Robbins, 1969 [1935], p.24).

The main claim of the present paper is that underlying this shift of focus there is the inauguration of a new methodological stance towards economics in general and rationality in particular by which models are to be understood as a first approximation to reality. It will be argued that Robbins' approach to methodological individualism cannot be classified neither as Subjective Individualism nor as Psychological Individualism and that due to the novelty of his approach a new label could be proposed to classify his stance, for lack of a better name it might be called "as if individualism". As will be shown, although acknowledging the role of uncertainty, his approach is to define individuals "as if" they were completely rational, hence Subjective Individualism is ruled out. One might be tempted to classify him as psychological individualist, nevertheless there he dismisses both hedonism and behaviourism. It is very difficult to find any influence of psychology in his abstract account of the isolated man, hence it is hard to see where would Robbins fit among the different types of methodological individualism outlined in the previous section.

Robbins' claim in the *Essay* is that one should focus on the individual behaviour taken in isolation in order to fully appreciate the economising man. This would provide a better understanding of the economic problem itself, in the sense of trying to mimic a "pure science". Then economics would proceed by gradually increasing the complexity of this imaginary construct, thus approaching the human being as a social entity subject to the uncertainty of the world. Although this may seem appealing at first sight, after all the essence

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of science is to abstract so that particular phenomena can be grasped, with the benefit of hindsight one may object that this exercise (in economics) has become an end in itself. The long term consequence for economics of this approach has been an excessive focus on the formalization of the isolated man's behaviour. We leave it as an open question whether the representative agent can be understood as the climax of this process, nevertheless it illustrates that Robbins' claim of using a first approximation in order to subsequently study the interaction of agents in a more realistic fashion was not taken further. Crusoe Economics has proceeded as if the understanding of the isolated individual was never to be completely comprehended and, as a corollary, the next step towards realism is nowhere to be found among contemporary economists.

In *Economica's* special edition about Lionel Robbins (2009), Atkinson; Backhouse and Medema; Hands; Sugden assess the goals and legacies of Robbins' *Essay*. A new twist to their findings is to claim that the methodological foundation of Robbins' rational choice definition of economics is the idea of first approximation. This has not only provided a way out for the problems faced by marginalism by means of a different kind of methodological individualism, but influenced the subsequent development of economics with general equilibrium theorists fully endorsing the conception of first approximation and the representative agent as a symptom of the difficulty of freeing economics from the isolated individual as a first approximation to address more complex problems.

Backhouse and Medema (2009, p.816) note that "though he did not formulate it in these terms, Robbins' definition fitted well with acceptance of a rational choice model of behaviour". Although at some parts of his essay one can get the impression that his formulation does not imply rational choice, for instance when he argues that "[s]o far as we are concerned, our economic subjects can be pure egoists, pure altruists, pure ascetics, pure sensualists or - what is much more likely - mixed bundles of all these impulses" (Robbins, 1969 [1935], p.99), one could argue that what he was trying to accomplish was a rupture with marginalists' concern about the nature of wants and establishing a scarcity-constraint rational choice approach.

Robbins' defines rationality as consistency of preferences, however, this does not necessarily imply transitivity of choices of the sort  $x > y$  and  $y > z \Rightarrow x > z$ , as it appears in contemporary microeconomics textbooks. He adopts a different conception of rationality compared to what has become standard, one could argue it is a “more” rational than nowadays is used. He argues, for instance, that consistency of preferences may be irrational if time and effort are taken into account. Hence, it is rational to violate transitivity when it is not worthwhile spending the necessary amount of time and effort to be consistent, “[t]he marginal utility of not bothering about marginal utility is a factor of which account has been taken by the chief writers on the subjective theory of value from Böhm-Bawerk onwards” (Robbins, 1969 [1935], p.92). Hence, his conception of rationality goes beyond consistency of preferences, it is grounded on a full appreciation of costs and benefits by the economic agent. Nevertheless, this difference is a minor issue, for one might legitimately argue that it is implicit in the contemporary definition of consistency of preferences that all costs are taken into account. Hence, the similarity of Robbins' approach to rationality and contemporary rational choice are more striking than their differences.

Robbins' conception of rationality is partly influenced by the austrians and also by Knight (whom he cites four times throughout the book), thereby he does not rule out uncertainty. Nevertheless, the importance of uncertainty is nuanced, for even though inconsistency might be rational when uncertainty is taken into account, since “[i]t is not rational to will a certain end if one is not conscious of what sacrifice the achievement of that end involves” (Robbins, 1969 [1935], 155), on the other hand:

[T]he assumption of perfect rationality in the sense of complete consistency is simply one of a number of assumptions of a psychological nature which are introduced into economic analysis at various stages of *approximation to reality* [...] The perfect foresight, which it is sometimes convenient to postulate, is an assumption of a similar nature. The purpose of these assumptions is not to foster the belief that the world of reality corresponds to the constructions in which they figure, but rather to enable us to study, in isolation, tendencies which, in the world of reality, operate only in conjunction with many others (Robbins, 1969 [1935], p.93-94, emphasis added)

Once again his “as if individualism” is invoked in order to admit the existence of uncertainty, but to argue that the goal of economics is to assume perfect rationality and leave more complex questions for the future. This same logic applies when he discusses statics and dynamics. Robbins (1969 [1935], p.102-103) recognises that as a long-term research program economics should analyse dynamics since “[i]t is easy to conceive of initial configurations of the data, which have no total tendency to equilibrium, but which rather tend to cumulative oscillation”, but, in order to analyse these complex problems the starting point should be statics:

[W]e study these statical problems not merely for their own sake, but in order to apply them to the explanation of change [...] their chief significance lies in their further application in economic dynamics. We study the laws of ‘rest’ in order to understand the laws of change.

In a nutshell, his approach to rationality (and economics in general) is to admit that the world is too complex to be understood and hence assumptions are useful as an approximation, this is exactly what was to become the methodological basis of general equilibrium:

[G]eneral equilibrium is not intended to be realistic, but rather a standard against which the real world can be judged. Of course, this is a considerable departure from the motivation of old marginalism for which other considerations were supposed to be integrated with core economic theory rather than to take it as a point of departure [...] Methodologically it simply smacks of opportunism [...] For why should we judge the real world by its departure from an entirely imaginary construct? Or, by analogy, should we study the anatomy of the horse by first laying out the unicorn as a means for comparison? (Milonakis and Fine, 2009, p.282)

Robbins’ definition of economics and the methodological precepts that underlie his conception of rationality as a first approximation to comprehend the world is a radical departure with marginalism, as Milonakis and Fine (2009, p.217, emphasis added) argue, “The thrust of marginalism itself was to base economic analysis on the optimising behaviour of individuals [...] this found its *methodological expression* in Lionel Robbins”. The *Essay*, if not a turning point, advocated a novel approach to methodological individualism and hence it is paramount to distinguish his methodological stance from the “old marginalists”. Whereas

Walras and Jevons had some attachment to psychology and philosophy, inspired by Bentham, the shift from utility to utility functions was followed by an “implosion” of the core principles of economics followed by an “explosion” in subject matter, i.e., the narrowing of methodological precepts on one hand and an enlargement of application on the other (Milonakis and Fine, 2009).

Robbins’ *Essay* is not only focused on the behaviour of the individual, ruling out the social, the historical, the ethical or any normative issue, it is also advocating a particular type of methodological individualism. As briefly mentioned in the first section, Zouboulakis (2002) conflates Jevons, Walras, Pareto and Hicks under the same heading: Psychological Individualism. Many economists nowadays would probably argue that “neoclassical economics” is a linear unfolding of the “marginalist revolution”, nonetheless “whilst the marginalists may have won the day, it was a hard fought and revealing battle in many respects, with original intentions and reservations both discarded and forgotten” (Fine and Milonakis, 2009, p.3). Bentham’s inspiration in Jevons and Walras’ works is one of the differences, but there is more to the picture:

The old marginalists accepted a limited scope of application of core principles in deference to other forms of behaviour and other factors such as the role of institutions, and economics itself as a discipline was perceived to be the study of supply and demand for given markets. Economics became a *method* and a set of techniques rather than a subject matter (Fine and Milonakis, 2009, p.6, emphasis original)

The interwar period represents a rupture with marginalism’s concern to acknowledge the nature of goods and wants, and, more importantly a move from move from plutology to catallactics. What differentiates Robbins’ approach is his abstract account of the individual in which everything is exogenous. Not the individual as such, but the proper way for economists to deal with individuals is to treat ends, moral codes, sociological factors, context-specificity or what have you as given and proceed by analysing the choices of the economising man. In referring to nineteenth century marginalism, Milonakis and Fine (2009, p.226) note that it

still had some lingering attachment to the concerns and traditions of classical political economy. These are all effectively eliminated in the shift from utility itself towards utility functions, indifference curves and ordered preferences by anonymous individuals and anonymous goods.

Robbins' rejected not only Marginalism's physiology implied by hedonism but also behaviourism, economics should free itself once and for all from any trace of psychology. Interestingly, Hands (2009, p.835) notes that whereas in the first edition Robbins wrote that "[a]ll that we need to assume is the obvious fact that different possibilities offer different stimuli to behaviour", in the second edition the words "stimuli to behavior" were changed by "incentives" in order to avoid any behaviourist flavour. Hence, it is quite clear Robbins' project to insulate economics from psychology as can be seen in the following excerpt: "Recognition of the ordinal nature of the valuations implied in price is fundamental. It is difficult to overstress its importance. With one slash of Occam's razor, it extrudes for ever from economic analysis the last vestiges of psychological hedonism" (Robbins, 1969 [1935], p.56). He is equally dismissive of economists influenced by behaviourism, which he labels a "queer cult" (Robbins, 1969 [1935], p.87)

One should not overestimate the importance of Robbins' *Essay* and claim it is a turning point in the history of economic thought, on the other hand, his claim that there was no novelty in his argument is neither correct. The *Essay* is partially a product of the changes taking place in the first three decades of the twentieth century, but it also helped to define the path that economics would take. As argued before, it is a moot point the extent to which Robbins influenced the future development of economics, however it is safe to argue that his *Essay* provided a methodological expression for the ordinalist revolution started with Fisher and Pareto. Further, his LSE colleagues Hicks and Allen (1934) certainly played an important role on establishing formally the methodological claims provided by Robbins. In this sense, one should not argue counterfactually that had not Robbins written his *Essay* economics would have taken a different path, rather, the point at hand is that given the pervasiveness of his definition among contemporary textbooks and the central role that choice has acquired within economics it is hard to deny that Robbins' input helped in establishing what would

become the rules of the game after WWII. As McCloskey (1996, p.123) puts it, “[n]eoclassicals are obsessed with Choice, and see choice where others see subordination to necessity”.

Lipsey (2009) identifies three legacies of Robbins that are still observable in modern economics: i) the idea that assumptions are intuitively obvious, ii) facts are not tests but illustrations of theories and iii) economic theories are not context-specific nor historically constrained. In what regards the extent to which modern economics was influenced by Robbins he claims:

There can be little doubt, however, that Robbins was an important link in their transmission to modern economists, both where he was initiator and where he was such a superb popularizer that he helped to make many of them the conventional wisdom of economics for generations to come (Lipsey, 2009, p.846).

Robbins also claimed, and this remains very much alive in mainstream economics, that ethics should not have any input to economics, “[e]conomics deals with ascertainable facts; ethics with valuations and obligations. The two fields of enquiry are not on the same plane of discourse” (Robbins, 1969 [1935], p.148). He supports his point with a purely rhetorical argument:

Shut Mr. Hartrey in a room as Secretary of a Committee composed of Bentham, Buddha, Lenin and the Head of the United States Steel Corporation, set up to decide upon the ethics of usury, and it is improbable that he could produce an ‘agreed document’ ... it is worth while delimiting the neutral area of science from the more disputable area of moral and political philosophy (Robbins, 1969 [1935], p.151).

Although such a diverse group would hardly agree on anything, using this argument to justify that economics must be a pure science and that normative issues belong elsewhere is analogous to the key and lamppost parable.

This isolation of economics from normative issues is part of Robbins’ idea that economics is a “pure science” that must be differentiated from other social sciences. In his preface to the second edition he answers to some of the criticisms he has received on this matter:

All this is not to say that economists should not deliver themselves on ethical questions [...] an economist who is only an economist [...] is a pretty poor fish. I agree, too, that by itself Economics affords no solution to any of the important problems of life. I agree that for this reason an education which consists of Economics alone is a very imperfect education (Robbins, 1969 [1935], viii-ix)

If “Economics affords no solution to any of the important problems of life” how can it orient public policies? It is out of the scope of this paper to address such issues (see Atkinson, 2009). The point is that there are many legacies of Robbins’ *Essay* other than what his novel approach to methodological individualism.

For the sake of clarity a few final comments of the role of methodological individualism in the *Essay* are in order. Referring to the benefits of “Crusoe Economics”, Robbins (1969 [1935], p.20) argues that “it is only when contemplating the conditions of isolated man that the importance of the condition that the scarce means must have alternative uses ... leaps clearly to the eye”. He justifies this approach by arguing that whereas the classical theory of value implies that economics deals with social phenomena, the subjective theory of value enable market phenomena to be reduced to the consequences of individual choice. Further, the subjective theory of value is a postulate that need not be proven, “[w]e do not need controlled experiments to establish their validity: they are so much the stuff of our everyday experience that they have only to be stated to be recognised as obvious” (Robbins, 1969 [1935], p.78-79). Sugden (2009) not only confronts this position by invoking the results of experimental and behavioural economics since 1980, but also highlights the discontinuities between austrian economics and Robbins’ approach.

Among these discontinuities, as already mentioned, Robbins only partially accepts uncertainty in his own work. In spite of admitting that the future is unknown and that this may lead to inconsistencies of preferences, this is a concern that should only enter the analysis after a sufficiently clear picture of the isolated individual is provided.

Thereby, an analogy of Robbins’ compromise between uncertainty and full rationality is provided by the “neoclassical synthesis”. Whereas the “neoclassical synthesis” adopted a conciliatory stance by arguing that the short-run is dictated by the Keynesian argument, but in

the long-run the economy tends to equilibrium and full employment, Robbins' methodological claim is that in the short-run economics should be concerned with the perfectly rational isolated individual, as a first approximation, but in the long-run it would be able to address problems of higher levels of complexity which include uncertainty.

To sum up what has been said, Robbins rules out uncertainty by using an “as if” argument that as an approximation one can claim full rationality; nevertheless he also rejects both hedonism and behaviourism in his total escape from psychology. Hence, neither “Psychological Individualism” nor “Subjective Individualism” suit his conception of methodological individualism, this is why he was labelled an “as if individualist”.

### **Final Thoughts**

Methodological individualism has a long history, its first version was the social contract theory which can be traced back to the greeks and resurfaced in Hobbes. Reviewing the literature in the philosophy of science in the 50s and 60s and a few contemporary works three versions of methodological individualism were outlined: Psychological Individualism, Subjective Individualism and Institutional Individualism. This paper argued that Lionel Robbins' novel approach to methodological cannot be classified according to any of these labels. Robbins' abstract account of the individual rejects both hedonism and behaviourism and treats the isolated completely rational individual as a first approximation to address more complex problems once the economising man is sufficiently understood. Hence, he does not rule out uncertainty, but claims that economics should address the human being “as if” he was a perfectly rational isolated individual. It was suggested a new name for his approach: “as if individualism”.

It has also been argued that individualism and collectivism are not mutually exclusive; Institutional Individualism is a non-reductionist approach that accounts for feedback effects in which individuals shape society and are shaped by it. In that sense Institutional Individualism is a more rounded approach when compared to Lionel Robbins' “as if individualism”.

Modern economics' microfoundations, based on the representative agent, indicate that Robbins' project of taking an isolated perfectly rational individual as a temporary device has not been carried on. Hopefully this paper has contributed in showing that among philosophers of science it has long been understood that reductionism (or foundations – micro or macro) is not the best approach to social science and that a *via-media* is tenable.

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