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Agency, socially contemplated

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ABSTRACT

Well-being and agency are the two pillars of the capability approach. In this paper we emphasize that a proper analysis of agency requires an explicit treatment of social interaction. We show that once agency is framed within an interactive context, the two dimensions of individual action are strongly intertwined. In addition, interdependency hints for collective behaviour, thus, developing an example introduced by Sen (1990), we provide a simple threshold model explaining labour market participation of women as an emergent phenomenon. The model is able to provide an alternative explanation of extreme variations of this phenomenon in culturally homogeneous areas.

Keywords: Amartya Sen, well-being measurement, agency, capability, Workers, Women

RESUME

Le bien-être et la qualité d'agence sont deux des piliers de l'approche des capacités. Cet article met en avant que toute analyse sérieuse de la qualité d'agence doit inclure l'étude de l'interaction sociale. Nous montrons qu'une fois inscrite dans le contexte d'interactions sociales les deux dimensions de l'action individuelle (bien-être ; agencéité) sont inséparablement unies. Leur interdépendance signale l'existence de comportements collectifs. Aussi sur la base d'un exemple introduit par Sen en 1990 nous proposons un modèle de seuil simple qui explique la participation au marché du travail des femmes comme un phénomène d'émergence. Ce modèle fournit ainsi une explication alternative aux variations extrêmes de cette participation dans un contexte culturel par ailleurs largement homogène.

Mots-clés : Amartya Sen, mesure du bien-être, agencéité, capacité, travailleurs, femmes

JEL Classification : I31

*“Without one there cannot be many
and without many it is not possible
to refer to one. Therefore, one and
many arise dependently and such
phenomena do not have the sign of
inherent existence.”*

Nāgārjuna, *Seventy Stanzas on
Emptiness*

1. INTRODUCTION

The operationalization of abstract theories, in addition to offer an opportunity for empirical validation, forces scholars to spell out aspects otherwise neglected or underestimated. The empirical analysis carried out by Mathias and Maria Teresa Herrera-Nebel in their project “Creating a Meta Capability Indicator: Agency and Responsibility” provides a clear example of this refinement process (2017 see their article in this volume)¹. In fact, this project, which operationalizes agency within Sen’s capability approach, highlights the social dimension of agency and the necessity to take social interdependency into account in developing a satisfactory theory of agency.

With the important exceptions of Sen (1990) and Ballet, Dubois and Mahieu (2007; 2014), the issue of social interdependence issue has been greatly overlooked by the capability literature on agency.² To advance this stream of research, we elaborate on this issue and propose that social interaction makes the two dimensions strongly intertwined. We point out also that once agents are conceived within an interactive context, agency appears to be an emergent phenomenon and the issue of responsibility of public action assumes a more complex view than simply equalization of opportunity.

The paper is organized as follows. The next section briefly reviews well-being and agency in Sen’s capability approach. Section 3 deals with the issue of responsibility. Section 4 points out the social interactive nature dimension of agency and its interdependency with well-being. Building on Sen, Section 5 develops a simple threshold model which shows the nature of emergent phenomenon of agency and is able to provide an alternative explanation for extreme variations of the labour market participation of women in the same cultural areas. Final conclusions are contained in Section 6.

¹ This is a revised version of the talk I delivered at the Workshop “Mesure de la responsabilité et politique de développement. Meta-capability measurement. Measure of Social and Individual Agency” Paris, 6-7 November 2014. I would like to thank the participants at the workshop for very helpful comments and the organizers for the opportunity to reflect upon the important issue of agency. Particular thanks to Mathias Nebel for thoughtful comments on an early draft of this paper. Usual caveats apply.

² Sen (1990) clearly states that the gender division of labor within the household and even the household’s prosperity require the solution to two problems, one involving cooperation and the other conflict. Cooperation and conflict are notable examples of social interaction which can be formally analyzed by means of game theory (Sen: 1990, Section 4).

2. WELL-BEING AND AGENCY IN SEN'S CAPABILITY APPROACH

According to the capability approach individuals are agents whose actions are aimed at taking care of either their well-being or their conception of the good (Sen: 1985, 206), the latter defining the agency dimension of the individual. The individual's well-being may either completely define the individual's objectives or may be only a part of them. Thus, agency and well-being, although sharing the common distinction in achievement and freedom (Sen: 1985, 203 ff.), must be usually kept distinct. The reason why agency is introduced in the capability approach can be traced back to the attempt to keep distance from the individualistic approach usually adopted in economics:

"[Agency] provides space for a conception of freedom and responsibility that breaks decisively with any egoism that claims that humans are no more than – and are bound to be – 'strict maximizers of a narrowly defined self-interest'" Crocker and Robeyns (2010, 76).

In order to make agency a substantially distinct concept with respect to well-being the goals driving the action should not refer exclusively to subjective well-being. In fact, in pursuing his/her agency goal the agent's well-being might even be compromised. This argument is clearly shown in the following example provided by Robeyns (2005): Anna and Becca are two sisters who live in a peaceful village in England and enjoy the same well-being levels. Both believe that the power of global corporations is undermining democracy, and that governments should prioritize global justice instead of the interests of global corporations. Anna decides to use her agency freedom to voice her political concern and eventually is jailed by the police during a demonstration against multinationals, thus her well-being is considerably lowered by her decision. In contrast, Becca does not want to sacrifice her well-being for these agency goals and decides to stay home.³

It is worth emphasizing two aspects in the previous example. First, agency requires freedom of choice, that is, the exercise of agency by Betta requires the possibility of choosing to participate at the demonstration. Second, an effective exercise of agency may require cooperation with other people. The former point has been widely discussed by the capability literature, especially in dealing with the role of freedom in determining the individual well-being (Sen: 1988; Kuklys: 2005; D'Agata: 2007). Instead, the latter aspect has been greatly neglected, as it is usually implicitly assumed that each action is effective in attaining the desired goal. However, the effective exercise of agency should not be taken for granted since in the previous example Anna could not be successful in her decision, with possibly no effect on her well-being, if nobody or an insignificant number of people participated in the demonstration.

3. AGENCY, RESPONSIBILITY AND SOCIAL INTERACTION

The importance of freedom in the capability approach explains the importance this approach should acknowledge to responsibility both in explaining individual actions and in providing

³ It is possible to argue that the distinction between Anna and Becca's choices is correct only if short-term effects are considered. If long term goals are introduced, then also Anna's choice could be interpreted as a choice dictated by her well-being (see, for example, Rule (1989)). We do not consider any further this qualification.

a strong conceptual background and motivation for public action (see, for example, Robeyns: 2005). As a matter of fact, the capability approach has contributed on this aspect by inspiring, for example, in Europe an “opportunity”-based approach to social security (Bonvin & Farvaque: 2005). These policies are based on the idea that the State should be responsible for guaranteeing and promoting *opportunities*, rather than direct levels of well-being or the simple materialistic provision of benefits, while individuals are responsible for using these background opportunities in order to lead the kind of life they prefer or value most. The justification for this approach goes back to Rawls’ “social division of responsibilities” which distinguishes between the responsibility of society consisting in ensuring “equality”, and individuals’ responsibility for their choices carried out within the ensured equality context (for an excellent survey, see Bonvin and Farvaque: 2005); see also Crocker and Robeyns: 2010).

In dealing with the issue of collective capabilities, Ballet, Dubois and Mahieu (2007; 2014) provides a novel view of responsibility which requires an explicit consideration of social interaction. The necessity for considering social interaction in dealing with agency can be traced back to the more complex concept of responsibility endorsed by the authors. Indeed, Sen uses the same concept of responsibility, associated with freedom of commitment, both for well-being and for agency (Sen: 1985, 203 ff.). Instead, Ballet, Dubois and Mahieu maintain that, in dealing with agency, it is necessary to consider a “richer” view of the subject, and this requires a “stronger” version of agency (Ballet, Dubois and Mahieu: 2007, 187). To this end, the authors replace the analytic notion of individual, defined by freedom and capabilities, with the phenomenological notion of person as an individual embedded in a network of social relations, and consider two kinds of responsibility: the responsibility emerging after the action has been done (*ex-post* responsibility), the responsibility due to the individual’s capacity to assume obligations towards others stemming from his/her rationality and freedom (*ex-ante* responsibility). *Ex-post* responsibility is the responsibility considered by Sen, *ex-ante* responsibility is a precondition for real freedom and characterize agency. Thus, “*freedom of choice will have to be considered within a context of responsibilities, as the expression of the person’s right, and as a consequence of responsibilities assumed by others*” (Ballet, Dubois and Mahieu (2007, 196). However, considering responsibility in a social context does not mean denying the importance of freedom, rather, freedom must be considered within a context of both responsibilities and rights as well: “*...freedom of one person can be the counterweight of the responsibility fulfilled by another person. We do not say that because some people have freedom, others are responsible of these freedom, but, on the contrary, that because everyone is a fully responsible person fulfilling a series of obligations, we all benefit from freedoms and rights as a spin-off from these responsibilities.*” (*Ibidem.*) Summarizing, the exercise of agency is not only determined by the possibility by each individual to assume and fulfill obligations with respect to other individuals, but it is also strongly affected by the fulfillment of responsibilities by others. Once the possibility that the others actions can affect the attainment of an individual’s goal is acknowledged, one should account for the symmetric possibility, that is the possibility that the individual choice can influence the attainment of others’ goals. Thus, assuming a

minimum of rationality by individuals,⁴ we can conclude that the exercise of freedom and agency occurs in a *strategically interactive* context, that is, in a context in which individuals' choices are co-determined by the others' choices.

While Ballet, Dubois and Mahieu highlight an important aspect of agency, in our opinion their view of responsibility should be refined for the following two reasons. First, responsibility allows for margins of discretion. For example, in an ultimatum bargaining game,⁵ a proposal of 10% of the surplus is considered different, in terms of social responsibility, from a proposal of 50%; by contrast a proposal of 40% of the surplus is considered similar to the fifty-fifty proposal, from the point of view of social responsibility (see footnote 4). Thus, there is some latitude in individual behaviour which does not involve responsibility. Second, they omit to consider that (formal or informal) institutions can affect the nature and intensity of social interactions. Before considering these aspects in details in the next section, we would like to conclude with a final remark concerning Sen's analysis of social interaction in a context of "cooperative conflict" (Sen: 1990; Cf. Dréze & Sen: 1989).⁶ In this work Sen allows for social interaction when analyzing the household allocation of gains generated by labour market participation of wives. Sen calls this context "cooperative conflict" because it reveals both an element of cooperation and an element of conflict. Cooperation is justified on the ground that the attainment of household goals usually requires an active participation of more than one person. It is for this reason that Sen refers to the household arrangements as the implementation of a "social technology".⁷ Conflict arises because there is a trade-off among household members concerning who gets what. In fact, once the amount of wife's earning is given, then a conflict must be managed among all

⁴ Rationality, intended as the capacity of an individual to effectively pursue his/her own goals, does not imply self-interest, see, for example, Gintis (2000, 243).

⁵ An ultimatum bargaining game is a two-player game with a proposer (P), a responder (R) and a sum of money X (surplus) which will be allocated between P and B only if the agents agree on the allocation. The game is the following: P offers the sum x to R, leaving him/herself $X - x$. R can accept the offer, or reject it, in which case both players receive nothing. In experimental analysis usually $X = \$ 10$. Standard theory predicts that R would accept even the smallest amount of money rather than nothing, so P should propose the smallest amount of money (e.g. 1 cent). By contrast, empirical findings in experiments have shown that there is a "non-small" positive minimal acceptance offer, as many offers below \$2 are rejected. The explanation for this "irrational" outcomes is that responders reject very low offers as they are angered by proposals that they regard as unfair (see, for example, Güth, Schmittberger, Schwarze: 1987; Hoffman, McCabe, Smith: 1996).

⁶ Sen considers social interdependence in agency also by introducing the distinction between realized and instrumental agency success (Sen: 1992, 56-57). Crocker (2009, Ch. 5) has convincingly pointed out that this distinction is problematic, hence we will not deal here with it.

⁷ Following Marx, Sen enlarges the view of technology by including its social dimension: "The making of things involves not merely the relationship between, say, raw materials and final products, but also the social organization that permits the use of specific techniques of production in factories or workshops, or on land. ... Technology is not only about equipment and its operational characteristics, but also about social arrangements that permit the equipment to be used and the so-called productive processes to be carried on." Sen (1990, Section 3). Recently, the social view of technology has been proposed again by Brian Arthur (2009).

members of the household in order to allocate the gains.⁸ Sen proposes to find the solution to the allocation problem by means of cooperative game theory (Nash: 1950; 1953). Within this analytical framework, Sen shows how the breakdown position, the perceived value of the well-being, and the perceived contribution of the wife to the overall opulence of the household affect the solution to the household bargaining problem (Sen: 1990, 469-471)). The motivation for this kind of analysis is that perceptions of interests and of legitimacy can have considerable effects on women condition.

Interesting as Sen's work may be, it has three main shortcomings which should be taken into account for a more general analysis of agency. First, the concept of "social technology" is more pervasive than Sen's work suggests: it can be usefully considered not only for groups, like households, which usually behave in a highly coordinated way, but also for individual goal attainments in other social contexts. In these cases, however, different mechanisms than the ones effective within households, like markets or contracts, have to be taken into account to ensure the coordination among the relevant individuals in order to ensure the working of the social technology. Second, Sen is aware that the women's decision to participate to the labour market is a decision which lies within the agency dimension and that within this context social factors play an important role (Sen: 1990, 462). However, he focuses on the allocations of the earnings of working wives within the household, by leaving aside the participation issue. Nevertheless, labour market participation of women is often the critical issue for women empowerment, and this decision is strongly affected by social factors as well. Third, Sen uses standard analytical tools from game theory and economics, characterized by strict maximizer individuals. Thus, his analysis fails to go beyond the individualist approach and incorporate the wider social point of view called for by the agency approach (see Section 2). This aspect is particularly critical in dealing with the issue of labour market participation of women because, as already said, in this context social norms, customs and beliefs are crucial in determining the outcome. In Section 5 we shall develop Sen's analysis by dealing with labour market participation of women within a model which takes into account the social dimension of individual decisions. More precisely, we allow that the husbands' decision to let their wives participating in the labour market is determined by social interaction. Preliminarily, in the next section, we further elaborate on the manifold nature of social interactions and the relationship between agency and well-being.

4. SOCIAL INTERACTIONS, AGENCY EXERCISE AND WELL-BEING

Nebel and Herrera Redón Nebel (2017) take up the dual view of agency as responsibility endorsed by Ballet *et alii* (2007; 2014) and enrich it with a third element inspired by the work of Levinas (1996), the responsibility for *autrui (ex-aliud)*. On the basis of this theoretical framework, as said in the introduction, Mathias and Maria-Teresa Nebel-Herrera carry out a survey to operationalize this three-pronged concept of responsibility in the workplace of several Mexican firms. Workers' agency is measured by quantifying their (*ex-ante*, *ex-post* and *ex-aliud*) responsibility in terms of, among others, scrupulous work, consideration for worker mates, management of errors. We focus on a specific question of

⁸ The cooperative conflict introduced by Sen has been known for a long time by the strategic management literature, and it has recently been formalized by Brandenburger and Stuart (2007).

the questionnaire: as a proxy for the workers' *ex-ante* responsibility, it is asked what the reaction of the firm is in case the workers propose an improvement in their working activity or the organization of work, business, company or institution. Four possible scenarios are considered: (1) the firm implements the improvement, (2) the firm evaluates it, (3) it is likely the firm does not consider the improvement, and, finally, (4) the firm does not consider it at all. According to the results, about 20% of respondents answer (3) or (4). The possibility that workers have impaired *ex-ante* responsibility because the management does not pay attention to their proposed innovations or does not consider them at all confirms our view that the exercise of agency is deeply embedded in a social interactive context and depends upon the discretionary choices of others, in this specific case upon the discretionary behaviour of management (see Section 3).

The questionnaire does not explain the reason underlying the unfavorable behaviour of the management, according to answers (3) and (4). The literature on labour market suggests an answer based upon an opportunistic behaviour by both the management and the workers,⁹ that is a behaviour originated by reasons attaining to the well-being sphere of the top managers and the workers. In fact, according to this literature, innovative employees do not propose innovations as they expect to be fired after their innovation proposal, their firing being due to the fact that the management fear innovative employees gain a strong bargaining power after the introduction of the innovation (see, for example, Carmichael and McLeod: 1993). Within this theoretical context, Acharya, Baghai and Subramanian (2013) show that formal institutions can play a crucial role in reducing the scope for opportunistic behaviour of parties and incentivizing workers to propose innovations. In particular, they show that workers' incentive to submit innovations depends upon the existence of wrongful discharge laws which prohibit employers from acting in bad faith with respect to employees' actions. These laws, thus, are critical in limiting employers' ability to fire innovating employees after the innovation is successful, and enhance the employees' innovative incentive.

A similar mechanism could be used to interpret the lack of attention by the management in the survey previously cited as a pre-emptive strategy: the top management of the Mexican firms involved in the survey do not consider improvement proposals because they simply intend to *avoid* a post-innovation increase in bargaining power by the innovator employees. It seems reasonable to claim that the observed opportunistic behaviour of the Mexican top managers, in reply to a potential opportunistic behaviour by innovative employees, lies within their margins of discretion in terms of responsibility, according to our analysis in the previous section; however, such behaviour affects the *ex-ante* agency of employees. Clearly, like in the analysis of Acharya, Baghai and Subramanian previously quoted, also in this case formal and informal institutions can play an important role in incentivizing managers to take into account and possibly accept improvements.

This example shows that in an interdependent context, egoistic behaviour can affect the agency of individuals and that formal institutions can play a critical role in affecting the outcome of such interaction. This example shows also that while agency and well-being could in principle be taken into account as independent aspects of human behaviour, actually

⁹ Opportunistic behaviour by management yields important market failures as it originates the well-known hold-up problem (Williamson: 1975; 1985).

they are strongly related as the incapacity by workers to exercise their agency in improving firms' technology originates by the very existence of an underlying strategic interaction among egoistic agents.

The relationship between agency and economic performance is particularly important in issues concerning competitiveness of firms or nations because agency and its exertion, especially in terms of management of errors, acknowledgement of scrupulous work, attention and respect for their fellow workers, could also be instrumentally used for attaining economic goals or other goals connected with well-being. Firms competitiveness can be attained by improving the way in which workers interact one another and this interaction is strongly affected by their sense of responsibility. The Japanese system of production is an important example of how the exercise of responsibility may importantly affect firm's productivity and competitive advantage. Ronald Dore has pointed out that the success of Japanese firms should be attributed to their Confucian cultural background which ensures "a more lively sense of their obligated membership in the national community than those of other nations" (Dore: 1983, 471; see also Dore: 1987). In the Japanese system of production, the sense of responsibility of workers in ensuring a smooth and innovative productive activity is explicitly called for by managers. For example, the active participation of workers to the improvement of the production process is one of the principles of the Toyota Production System (Cf. Womack, Jones and Roos: 2007, Chs. 3 & 4; Liker: 2004, Ch 4). It is also worth emphasizing that this system not only ensures a great competitiveness but also a greater quality of life than in mass production factories as well as in factories with alternative "craftmanship" organizations (Womack, Jones and Roos: 2007, Ch. 3).

In this section, we have shown that whenever interdependent agents are taken into account, agency and well-being of individuals are correlated; in addition, institutions may have a crucial role in determining the outcome of such interaction.¹⁰

5. AGENCY AS AN EMERGENT PHENOMENON

The explicit consideration of social interactions leads to ask how individual actions interact and aggregate. In fact, it has been emphasized by the sociological literature (see Granovetter: 1978; Coleman: 1986) that social phenomena can "emerge" from society, in the sense that they cannot be explained simply on the basis of norms, preference and beliefs of the members of a society, but can be explained also in terms of the way in which these norms, preferences and beliefs interact and aggregate.¹¹ This aspect is particularly important when one would like to explain the heterogeneity of social phenomena in otherwise socially homogeneous areas. For example, gender statistics, and in particular women labour market participation, show remarkable differences even within culturally homogeneous areas in India (Sen: 1990; India Government: 2011). Thus, developing a model which provides an (additional and possibly alternative) explanation to these variations might be of some

¹⁰ The role of institutions in affecting economic performance has been extensively considered by the economic literature (see, for example, North: 1990, 2005). This literature, however, does not consider the issue of agency. Institutions may affect agency in a deeper sense that is by shaping agents' cognitive capabilities, and therefore their worldview (Cf. Gallagher: 2013; De Jaegher: 2013). This process is however well beyond the aim of this paper.

¹¹ For a philosophical account of the role of emergence in sociology, see, for example, Sawyer (2001).

interest. In this section we develop Sen's model of labour participation considered previously by focusing on the preliminary condition, considered warranted by Sen, concerning the possibility of women working. The example we provide shows that very similar societies can exhibit radically different rates of labour market participation of women.

Consider two societies, say A and B, made up by 10 males and relative wives. The husbands are labelled 1, 2, 3, ..., 10. Each husband can choose between two options, a and b ; option a is interpreted as "letting my wife to get a job" and option b as the negation of a . Husband i chooses option a only if at least n_i agents choose a . Number n_i is said the threshold level for agent i and it indicates the minimum number of individuals choosing a which ensures that husband i chooses action a . The behavioral assumption underlying the class of threshold models¹² is that decisions are determined by the social context in which choice is made via an imitation process.¹³ In this specific case, husbands think that allowing their wives to work is "acceptable" because they see a certain number of husbands allowing their wives to work (Glaeser & Scheinkman: 2001).

Table 1

Society A										
Agent	1	2	3	4	5	6	7	8	9	10
Threshold level	0	1	2	3	4	5	6	7	8	9
Society B										
Agent	1	2	3	4	5	6	7	8	9	10
Threshold level	0	1	3	3	4	5	6	7	8	9

Suppose that Table 1 illustrates the threshold levels of husbands in society A and in society B. In Society A women have a great agency as all husbands will allow their wives to work.

¹² Threshold models have found wide applications in explaining, among other things, diffusion of ideas and innovations, like unionization (Hedström: 1994), public opinion on sexual harassment laws (Wood & Doan: 2003) social customs (Akerlof: 1980). This kind of models are able, therefore, to explain conformity, idiosyncrasy and fragility of social behaviour and, more in general, either transient fads or permanent choices among alternative products, sexual and marital options, scientific theories, and religious beliefs (for technical details on threshold models, see Granovetter: 1978); Schelling: 1978; Young: 2001).

¹³ Anthropologists, social psychologists, economists and sociologists have provided strong theoretical and empirical arguments supporting the hypothesis of imitation in explaining individual behaviour (see, for example, Asch: 1955; 1956; Bandura: 1986; Coleman; 1986). Surowiecki (2004) provides an articulated and enjoyable analysis of the role of imitation in shaping individuals' decisions.

In contrast, although Society B is very similar to society A, agency of women in this society is much weaker than in society A as only two wives are allowed to work! The reason is that there is not enough “critical mass” of husbands who allow their wives to work.

6. CONCLUSIONS

An immediate implication from the previous analysis concerns the allocation of responsibilities among actors and institutions in a society. The analysis in Section 4 shows that agency can be tampered by individual actions and formal institutions which affect the incentive to exert agency. This implies that policy makers should be careful in designing their policies oriented to the equalization of opportunities as these should require a careful design of institutions as well.

The example in Section 5, although extremely simple, highlights an important implication for policy making. In particular, the example shows how hazardous it could be to infer individual characteristics from aggregate outcomes (Granovetter: 1978, 1425). If we look only at the aggregate outcome, society B could be considered much more backward than society A. However, the two societies are extremely similar in terms of their fundamentals. Thus, unlike what intuition would suggest, only minor changes in society B’s fundamentals are sufficient to improve the social condition of women in this society, it being enough to slightly change preferences of an extremely small proportion of individuals in society (actually, of only one individual). This multiplier effect, whose exploitation could be crucial in implementing development policies, is well known by scholars working on models with social interactions (Moffitt: 2001), but, to the best of our knowledge, it seems to have gone unnoticed by the capability literature.

So far, interaction has been considered affecting actions of different persons and the unity of the person has been deliberately assumed. Recently, this assumption has been challenged and it has been pointed out that an individual’s decisions could be considered as the outcomes of a very complex process and, in particular, of the interaction among different selves¹⁴ (see, for example: Elster: 1987; Aislie: 2003). Usually, this approach is very useful in explaining empirically relevant situations in which people knowingly choose things they will regret.¹⁵ If the possibility of multiple selves is taken into account, the effectiveness of agency may be strongly weakened even without social interactions. This aspect of human nature seems to call for a deep revision of decision theory and agency theory as well.

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¹⁴ I owe this point to Jean-Louis Arcand.

¹⁵ Bacharach (2006) develops an interesting framework which seems to ensure consistent choices by agents even with multiple selves.

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