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Book Reviews

***Economic Compulsion and Christian Ethics: New Studies in Christian Ethics.* By Albino Barrera, Cambridge, UK: Cambridge University Press, 2005, 240 pp., ISBN 0-521-85341-9, \$75.00 (hardback); and *God and the Evil of Scarcity: Moral Foundations of Economic Agency.* By Albino Barrera, Notre Dame, IN: University of Notre Dame Press, 2005, 265 pp., ISBN 0-268-02193-7, \$22.00 (paperback).**

In a recent review of a previous volume by Albino Barrera on these pages, the reviewer notes that “Because Barrera is well trained in both economics and theology, [his work] can challenge both” (Yuengert 2005: 144). In the two present volumes, Barrera does exactly this. In these two volumes, Barrera takes a primitive of economic theory and brings it into the realm of moral theology and society—breaking new ground in both areas. In *Economic Compulsion and Christian Ethics*, he examines how unintended consequences of market activities may cause or exacerbate poverty, and how this insight leads to a call for action from the vantage point of Christian ethics. In the second book, Barrera applies the fundamental idea of scarcity to explore what scarcity, as a fact of human existence, suggests about the nature of God in Christianity.

Both volumes hinge upon an appreciation of the relationship between scarcity, the resulting necessity of choice, and how ultimately choices—either individual choices or choices in the aggregate—affect others. In order to appreciate the arguments made by the author, neither text demands that the reader has an extensive background in economic theory or the history of economic thought. Similarly, one can follow the structure of his argument without having a specialized background in Christian ethics or moral theology. In fact, the core findings of the works are clearly of interest and largely accessible to a much broader readership than just economists or theologians.

A hallmark of Barrera’s writing is that he slowly builds all the elements he uses to make his arguments. Often he proceeds so carefully that larger points

are established through series of mini-treatises, many of which, due to the depth of their analysis, are worth reading in their own right. As a result of this, however, various parts of the texts require more than just a casual reading and at times these sections may require more than a mere cursory knowledge in moral theology or economic theory. It is in this vein, then, that one may distinguish between the intended audiences of the two books. We address this as we take a closer look at the two volumes in turn.

The starting point for the analysis in *Economic Compulsion and Christian Ethics: New Studies in Christian Ethics* is the neo-classical model of perfectly competitive markets. Barrera uses this framework to establish how the interconnectedness of markets inadvertently leads to situations of what he terms economic compulsion for some market participants. Given the structure of the argument, the most natural target audience is one that is comfortable thinking in terms of how markets operate and interact. Yet, one hastens to add at this point, that Barrera's subsequent exposition is not one that applies *only* to neo-classical general equilibrium frameworks, instead it applies *even* in such settings. Consequently, this text may be viewed as primarily intended for social scientists and policy makers in a broad sense.

Barrera carefully delineates how through the interaction of markets, changes in one market affect prices in other markets. Economists refer to this type of interaction of prices across markets as pecuniary externalities. However, unlike non-pecuniary externalities (e.g. pollution) which create inefficiencies and are therefore often viewed as requiring corrective policy measures, pecuniary externalities do not cause inefficiencies; quite to the contrary, they are the result of markets adjusting in order to attain and maintain efficiency. Nevertheless, pecuniary externalities do have consequences, some of which may affect individual agents disproportionately. Indeed, as Barrera makes clear, pecuniary externalities often affect the most economically disadvantaged and may well push agents into situations of economic compulsion, that is, situations in which necessity (survival) governs economic decisions, due to no fault of their own. This, from the standpoint of Christian ethics, raises the question of whether there is a "communal obligation to improve the choice set available to these people who have been forced to sacrifice vital interests for the sake of their other unmet nontrivial claims" (p. 41). Barrera affirms this question after a careful review of Hebrew, New Testament, and patristic writings, and writings from the scholastic era (some of this analysis is echoed in the second volume as well, where it takes a central role of the argument, see below). He uses this backdrop to confirm a set of basic economic human rights, which in turn establishes economic obligations by others (see, especially, pp. 161 ff.). His

analysis culminates in establishing that the moral foundations of capitalism must include an explicit recognition that the market is an “obligation-bearing institution” (p. 225) whose aim is to provide economic security for all members of the community. Of course, the implied obligations must fall upon us as members of society, who as “individuals or as a collective, [...] are to fill the lacunae of the marketplace since we are bound to each other by mutual obligations of assistance and care” (p. 226).

While *God and the Evil of Scarcity: Moral Foundations of Economic Agency* has a similar starting point, and indeed, overlaps in subject matter with the first volume of this review, the second volume is largely a theological treatise, which as such may primarily have a target audience that has a general interest in the study of God and a particular interest in the area of theodicy: the understanding of God’s goodness and justice in the presence of evil. Indeed, part of this volume is likely written with moral theologians (especially Thomists) and philosophers rather than economists in mind, and, given that, parts may be somewhat inaccessible to many economists. It does, however, raise the important issue of to what resources each individual must have access in order to live a fulfilled life, and issues a challenge that it is this fulfilled life that economic policy should be aimed at achieving.

As a starting point of the second volume, Barrera reaches back into the history of economic and theological thought, by re-examining Malthus’ theological rationale for scarcity as God’s mechanism to induce naturally indigent humans to strive to better themselves materially and spiritually. To Malthus and his followers, the moral evil of scarcity was a necessary incentive for the pursuit of good (see Malthus [1798] 1999). Barrera, while agreeing with Malthus that scarcity is evil, examines this evil from a Thomistic perspective and arrives at a different theological understanding of the theodicy: scarcity enables people to participate in God’s goodness. That is, when goods are scarce, people are called to be Christ-like and give of themselves and of their worldly goods so that all may survive and thrive, both materially and spiritually. He provides both Old and New Testament (Pauline) Scriptural foundations for his theological arguments. Finally, although very briefly, he suggests how economists can absorb his theological and philosophical findings into their work by revising the standard social welfare function to ensure material sufficiency for all.

That evil exists in a world created by a benevolent God requires explanation. As Barrera makes clear, Malthus’ explanation failed on a number of theological points. First, without the evil of scarcity humans would be lazy and indigent and have no incentive to strive for a better existence either materially or spiritually. That is, God’s goodness and the

desire to be close to God through God-emulating behavior have no moral force. Second, Malthus' theology was not Christian. Either humans redeemed themselves, rather than being redeemed by Christ, or they returned to the clay from which they had risen: there was neither salvation nor damnation. Barrera credits Malthus with identifying the theodicy of scarcity, but finds a Thomistic rationale for it. For Aquinas, for humans to become what God intended they must participate in God's goodness, and they do this, in part, by sharing the gifts they have been given by God so all can have the material well-being necessary to live a (spiritually) fulfilled life. That this is indeed what God intended is shown through a thorough analysis of God's covenant with the Jewish people, the God-ordained division of resources, and the laws requiring the return of those resources to their God-determined owners even if lost because of debt or enslavement. While these laws were routinely circumvented, Barrera argues because of the difficulty of maintaining them, God returns again and again to his people to reiterate the importance of the covenant. Yet, slaves are not released, land is not returned, and people live lives of destitution rather than material sufficiency. The reason is scarcity and the challenge of giving to others when you yourself do not have enough. A much briefer Pauline analysis of the New Testament brings us to the same place. Humans strive to be Christ-like and to give of the gifts they themselves have been given. They do so to gain the kingdom, but are challenged by scarcity and the human desire to take care of one's own rather than seeing to the needs of their neighbors. The parable of the rich fool reminds us why this path leads away from God, yet we understand why the rich fool takes that path.

The remainder of the book is dedicated to understanding how it is that scarcity itself leads to participation in God's goodness. Here Barrera discusses original sin and how it relates to scarcity, conditionality (that God's promise of material sufficiency for all was conditional on humans' response to that promise), and human freedom to heed or fail to heed God's commands. He suggests, as did Malthus, that material want is a constant in human history and one that cannot be overcome; even if we have what is required to survive, we may not all have what is required to thrive. And, because of this, governments have to institute redistributive policies to ensure that the poorest among us are well provisioned, although this contradicts individuals' direct participation in God's goodness.

Despite the carefully executed analysis found in both books, from our perspective as economists, both texts raised questions that we would have liked to have seen further explored. Thus, the starting point of *Economic Compulsion and Christian Ethics* is the recognition of the existence of

pecuniary externalities and the potential jeopardy that these can place individuals in. Barrera does a superb job with the application he chooses to illustrate his main point of the connection of pecuniary externalities and resulting economic compulsion, by analyzing international agriculture markets. Indeed, it is worth noting that the argument works well despite world agricultural markets being highly regulated, as this makes it easy to demonstrate the political economy involved in the adjustment process and how pecuniary externalities affect various groups in the process. With this backdrop, Barrera's justification for examining and making explicit the connection between pecuniary externalities and economic compulsion is clear: "If pecuniary externalities are nothing new but are intrinsic to market operations, then why is there a sudden need or even urgency to examine this phenomenon closely in contemporary moral reflection? In a word: globalization" (p. 215). Nevertheless, Barrera's main focus when discussing pecuniary externalities is not necessarily on international trade; indeed, he gives sporadic examples that involve strictly domestic markets. Thus, we were left wondering how much force his argument may have when applied (only) in a domestic context. In particular, while moral obligations in light of economic compulsion may readily follow, it is not clear that pecuniary externalities are tied to this in an immediate sense. Specifically, the reason that pecuniary externalities are not considered a concern in neo-classical economics is not necessarily because their implications for distribution are generally overlooked or pushed into the background; it is because the market operates anonymously. Thus, one and the same pecuniary externality may benefit some, harm others, and at the same time cause severe economic hardship and economic compulsion for yet another group. However, to the degree that our mutual obligation of assistance and care are tied to our fellow humans' economic condition, all action must be tied to this rather than any possibly underlying pecuniary effect that may readily reverse itself and move in another direction without intervention. As a practical matter, there may be little distinction between the analysis we, thus, are curious to see in addition to Barrera's initial argument. Especially as in the end—and this is in agreement with Barrera's analysis—rights and obligations must be tied to people, not prices.

Rather than an extension of the analysis given, in the second of Barrera's volumes reviewed here, we are curious about how one might be able to take the analysis in a somewhat alternative direction. Thus, in *God and the Evil of Scarcity*, Barrera takes as given Malthusian scarcity, which can be interpreted as a fundamental imbalance between human needs and the economy's ability to fulfill those needs. That is, there is not and cannot be

enough to go around. One might, however, argue that this is not now the case in many parts of the world and, perhaps, never has been the case. Rather than goods being scarce in the Malthusian sense, one may approach the issue as one in which it is the allocation of resources and the distribution of property rights over resources that underlie the scarcity problem. To be sure: the allocation of property rights is and always has been very unequal. It is this inequality of allocation rather than a fundamental inability to produce that creates the problem of material insufficiency for some, a problem that would continue to exist even if resources were super-abundant but the ownership of those resources was concentrated in the hands of a few rather than more equally allocated. Thus, theodicy might also be usefully explored in terms of the allocation of property rights (which may be a good way of approaching both the Book of Joshua as well as the laws on debt release, lending, freeing of slaves ...) rather than in terms of scarcity. Scarcity suggests not enough is available to well-provision everyone. Unequal allocation can suggest that some live in splendor while others live in squalor although all could live in relative comfort if property rights were reallocated.

The social policy prescription of scarcity leads to a reallocation of goods to the poor, provision of better food and housing to ensure material sufficiency. The social policy engendered by unequal property rights suggests changes in inheritance laws (both *inter vivos* gifts and bequests) that force the reallocation of real property. In this we see a modern day reflection of the covenantal tradition. We would still be called to share God's gifts, because even with equality of opportunity and initial resources some will fail while others will succeed. But material destitution as a result of Malthusian scarcity need not be a given. Rather, such scarcity is the work of man, not God.

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***Europe and the Politics of Capabilities.* Edited by Robert Salais and Robert Villeneuve, Cambridge: Cambridge University Press, 2004, xv, 312 pp. (with index), ISBN 0-521-83604-2, \$90 (hardback).**

It is no secret that the European Union has so far achieved remarkable results in the fields of trade and monetary policy, but has considerable deficits with regard to political unification and extension and to social problems. As far as the latter are concerned it can be rightly said, as the editors put it in the introduction to the present book, that “Social Europe remains the poor relation in Europe’s construction” (p. 3). But since the end of the last century things have begun to change a bit and there is now a greater awareness of the need to deal with social and socio-economic problems in a European context. This has resulted in several declarations, initiatives, and projects which found an expression in the European Social Agenda discussed in Nice in the year 2000. The present book is a special contribution to this ongoing debate by pleading for a particular approach to the many and differentiated problems, viz. a “capability approach” which is—taking its inspiration from Amartya Sen’s Capability Theory—directed not so much towards short-term numerical results (e.g. reduced unemployment) but towards the opening up of opportunities and choice in the individual and social sphere (e.g. improvements in employability and in the quality of work). This is to be achieved as far as possible by a social dialogue involving in a democratic process all the regions and sections of the population whose opportunities and welfare are affected.

Considering the wide and differentiated area that this perspective introduces with all sorts of social problems, vague delineations of the capability concept and changing European facilities, it is quite natural that the 18 chapters of the book with contributions from many economists and other social scientists cannot provide a straight story. But what it can and does provide is a collection of valuable empirical and theoretical papers which are all interesting and informative by themselves. Taken together they give a good indication of the intention of the book. They consist of a mixture of empirical studies dealing with different social and socio-economic cases combined with more or less references to capability aspects, and of descriptive and methodological contributions in which the capability concept is in the center. In what follows I shall first give a short enumeration of the first group (where each paper is a useful case study of a special aspect) and then turn to a more general comment on the second group.

There are 14 papers which I would attribute to the first group. Claude Didry deals with the history of the Renault-Vilvoorde affair, Martin

Heidenreich with regional aspects of the European Employment Strategy, Serafino Negrelli with territorial pacts in Italy, Pierre-Paul Zilio with location problems in Marseille, Jean de Munck and Isabelle Ferreras with collective bargaining in Belgium, Jane Lewis with gender problems. Five papers, coming from Bénédicte Zimmermann, Gilles Raveaud, Jean Lapeyre, Noel Whiteside, and Pierre Bachman respectively, deal with questions of employment and collective bargaining; Robert Villeneuve and Emanuel Julien each deal with the European social dialogue; and Jacky Fayolle together with Anne Lecuyer discuss the European Structural Funds and regional developments.

The second group with the capability aspect as point of departure consists of the following four papers: the introductory chapter by Robert Salais and Robert Villeneuve ("Europe and the Politics of Capabilities") and the contributions of Philippe Pochet ("The Nature of the Open Method of Co-ordination"), Jude Browne, Simon Deakin and Frank Wilkinson ("Capabilities, Social Rights and European Market Integration"), and Robert Salais ("Incorporating the Capability Approach into Social and Employment Policies").

The aim of these methodological considerations (and of the book as a whole) is "to study how public policies (whatever their level) provide actors (individual and collective) with conditions, rights (substantial and procedural) and resources that enable them to effectively participate in the market to secure their conditions of life" (p. 204). In the various chapters this vision is worked out in greater detail and is confronted with present EU practices. While it is acknowledged that the principle of subsidiarity adopted by the EU favors a capability approach by bringing policies into closer contact with the regions and people concerned and to permit a variety of individual and institutional solutions, it is also shown that in practice these possibilities are seriously undermined by the EU reality. Not only do the Maastricht Treaty, the Stability and Growth Pact and the European Central Bank set severe limits to the application of subsidiarity policies in social matters (essential for the "functionings" of the capability approach), also the dominance of centralized legislation by the EU Commission and the search for general benchmarks in the OMC ("Open Method of Co-ordination") strategy with their stress on economic aspects and market conformity hamper a capability approach. In his conclusions Robert Salais remarks: "European action on social and employment matters [should not be] to manage national policies on the basis of results, but rather to evaluate the capabilities they develop. The OMC should make the evaluation of capabilities its core" (p. 293). This could only be achieved by developing differentiated decisions on the basis of

widely representative participation in discussions covering economic and social capabilities and their long-run effects on efficiency and justice.

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***Macroeconomic Policies and Poverty Reduction.* Edited by Ashoka Mody and Catherine Pattillo, London and New York: Routledge, 2006, xx, 395 pp., ISBN 0-415-70071-X, \$85.00 (hardback).**

In recent years and in particular since the IMF and the World Bank started an Initiative for a Poverty Reduction Strategy in 1999 the literature on poverty has grown at a rapid rate. The present book is a valuable addition to this trend. It consists of 12 chapters which are not directly related to each other but are grouped in four sections: Issues in macroeconomics and poverty; Public finances; Finance and trade; and Crises and shocks.

Considering the variety and the fact that each paper deserves acknowledgement I shall first give a short indication of the contents of each paper and then add some general remarks about the book as a whole.

After a short introduction by the editors ("Can Public Policies Lower Poverty? An Overview") Chapter 1 (R. Sahay, P. Cashin, P. Mauro and C. Pattillo, "Macroeconomic Policies and Poverty Reduction: Stylized Facts and an Overview of Research") deals with policy effects on welfare and poverty in about 100 countries in the period 1975–98. The difficulties for research and the achievement of reliable results are stressed: complexity, data problems, differences in circumstances, etc. The positive effects of growth on poverty reduction emerge as a fairly reliable result and for the longer run also expenditure on education and health. Possibly, but not generally, reduced inflation and an increase in foreign trade may also be helpful.

Chapter 2 (F. Bourguignon, L.A. Pereira da Silva, and N. Stern, "Evaluating the Poverty Impact of Economic Policies: Some Analytical Challenges") contains a comprehensive exposition of the various micro- and macroeconomic empirical methods that can be used to evaluate the impact of economic policies on income distribution and poverty. The variety of methods with their possibilities and limitations are critically examined.

In Chapter 3 (A. Berg and A. Krueger, "Trade, Growth, and Poverty: A Selective Survey") the effects of trade liberalization on poverty are investigated in two steps. The first analyses the effect of liberalization on

GDP growth. The positive effect leads normally directly to poverty reduction. The second step deals with various other aspects of trade liberalization with diverse and uncertain effects on poverty. The dominance of the growth element is then used to recommend free trade policies as part of an anti-poverty program.

Chapter 4 (S. Jayachandran and M. Kremer, "Odious Debt") is only marginally connected with the general poverty problem. It is a proposition for helping poor countries to obtain democracy and to reduce debt-induced poverty. Freeing countries from the burden of "odious debt" is the suggested method. "Odious debts" are debts which (1) were incurred without the consent of the people; and (2) did not benefit the people. An international body should declare that future sovereign loans to dictators (odious debt) would not have to be repaid by later democratic governments. This would make it difficult for authoritarian governments to obtain loans and would reduce the debt burden of emerging democratic governments enabling them to fight poverty.

Chapter 5 (A. Bulir and T. Lane, "Aid and Fiscal Management") deals with the problem of combining aid policies of donor countries and fiscal policies of developing countries in efficient ways: volume and types of aid, time patterns, conditionality, etc.

Chapter 6 (M. Ravallion, "Who Is Protected? On the Incidence of Fiscal Adjustment") raises the question of how public measures for the poor are maintained in times of shocks and fiscal contraction. Both theoretical and empirical (India, Bangladesh, Argentina) considerations indicate that the poor tend to be not sufficiently protected. The need for safety nets is stressed.

Chapter 7 (R. Kanbur and M. Tuomala, "Understanding the Evolution of Inequality During Transition: The Optimal Income Taxation Framework") deals with the inequality of disposable income in the Eastern European transition countries after 1990. Increases in inequality were due to inequality in market incomes, reduced public transfers, privatization, and the insufficient progressivism of the tax system. The high abstractions of the theoretical model used reduce the applicability to the actual developments. (There is a misprint in the second line of Table 7.2.)

Chapter 8 (X. Giné and R.M. Townsend, "Evaluation of Financial Liberalization: A General Equilibrium Model with Constrained Occupation Choice") applies a general equilibrium model to an analysis of financial liberalization in Thailand in the years 1976 to 1996. Its effect appears to have been growth promoting with winners (particularly talented would-be entrepreneurs gaining access to credits) and some losers leading to increased inequality.

Chapter 9 (O. Attanasio, P.K. Goldberg, and N. Pavcnik, "Trade Reform and Wage Inequality in Colombia") investigates the effects of drastic tariff

reductions in the 1980s and 1990s. Inequality increased under the influence of skill-dominated differentiation, sectorial divergences, and a growth of the informal sector. International trade seems to have contributed to the increase in inequality, but only to a minor extent.

Chapter 10 (E. Baldacci, L. de Mello, and G. Inchauste, “Financial Crises, Poverty, and Income Distribution”) deals with financial crises in general and with the Mexican crisis of 1994–95 in particular. In the latter case negative effects on poverty were due to the decline in economic activity, regressive effects of inflation, and financial retrenchment affecting social expenditure. Safety nets and protection of pro-poor expenditure during a decline are suggested as policy instruments.

Chapter 11 (St. Dercon, “Growth and Shocks: Evidence from Rural Ethiopia”) puts the question whether shocks to growth have persistent effects over longer periods leading to poverty persistence. Using the example of Ethiopian village developments after famines and rainfall shocks the author detects considerable persistence effects on consumption growth. Risk insurance and post-shock assistance are recommended.

Chapter 12 (E. Frankenberg, J.P. Smith, and D. Thomas, “Economic Shocks, Wealth, and Welfare”) deals only indirectly with poverty. It investigates what strategies were taken by Indonesian households in the wake of the deep 1998 crisis (with a 15 percent decline of the economy) to “smooth” real consumption. Migrations, labor supply, rearrangement of expenditure patterns towards food all play a role. Special attention is paid to the role of wealth differences.

This short summary of the book’s chapters should be sufficient to indicate that a broad number of interesting themes have been treated. I now want to add a few general remarks.

Like collections of articles in general this book too suffers—unavoidably—from a certain lack of a coherent sequence and connection of the arguments. Perhaps a bit more could have been achieved in this respect. Thus the introduction could have made greater efforts to provide a unifying overview of the contents.

One slight difficulty is that “poverty” is defined differently in the various papers. Some deal with absolute poverty, others with relative poverty, and there are varieties in both groups. Still other papers talk only indirectly of poverty changes by investigating changes in income inequality. But an increase in income inequality does not necessarily involve an increase in poverty and vice versa. Indeed as Chapter 10 shows the deep financial crisis of Mexico in 1994–95 led to an *increase* in absolute poverty and at the same time to a *reduction* of income inequality because of high profit losses in the

upper income classes. Some discussion about reasons for choices of poverty measures and comparisons between them might have been helpful.

Perhaps more important is the fact that the collection has the imprint of its origin from an IMF conference. Of the 29 authors involved 17 were either permanently or occasionally in contact with the IMF or the World Bank. As a consequence the macroeconomic policies and their effects on poverty are predominantly discussed within a neoclassical/neoliberal framework. Possibilities of more far-reaching institutional and social changes and “unorthodox” models are neglected. Thus while the contributions of several dozens of relevant authors are quoted and discussed some development economists, like Hans Singer or Paul Streeten, who did have quite a lot to say on the matter, are not even mentioned. Only one or two remarks point to an awareness of this problem. Thus Giné and Townsend, discussing empirical work on industrial organization and credit markets regret that “much of this work is somewhat atheoretic, documenting that the world is not neoclassical but leaving us wondering what the impediments to trade really are” (p. 220). And in Chapter 6 Martin Ravallion mentions at least that the lack of political power of the poor can be a barrier against pro-poor policies (p. 152). This is the only place where (political) power is mentioned.

A final remark refers to the long-term problem of reducing the huge world-wide poverty. Since many papers set their hope mainly on the beneficial effects of economic growth the question arises as to what the ecological limitations for such a strategy might be, or what structural and distributional changes might be necessary for such a big task.

These additional remarks should not deflect from the fact that this is a useful and interesting book. But it might be helpful to keep them in mind.

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***Beyond Conventional Economics: The Limits of Rational Behaviour in Political Decision Making.* Edited by Giuseppe Eusepi and Alan Hamlin, Cheltenham, UK: Edward Elgar, 2006, 154 pp., ISBN 978-1-84542-663-7, \$85.00 (hardback).**

This collection of articles is dedicated to the 60th birthday of Geoffrey Brennan, an economist known for his unremitting zeal to build bridges

between economics, political philosophy, psychology, and political science. All contributions are written by Brennan's co-authors and refer to one or more aspects of his impressive body of work, though some contributions are more loosely connected than others. The volume thus covers a wide range of topics that is broadly representative of Brennan's contributions to the understanding of the political domain. Given the concise nature of the book, some of these elements inevitably receive less attention than they deserve. What unites them is their focus on the limits of public choice theory.

Robert Goodin, for instance, investigates to what extent democracy serves the pursuit of justice and truth. In homogeneous societies, where consensus on political issues tends to be broad, democracy generally allows for just outcomes (that maximize impartial satisfaction of as many preferences as possible), but is not necessarily conducive to finding truth. In heterogeneous societies, the contrary holds. Nevertheless, the simple majority rule is the second-best solution here too, since the probability of being in the majority (and thus having one's preferences fulfilled) is higher than being in the minority (pp. 100–104). In his chapter, Philip Pettit analyzes the possibility of norms arising from erroneous beliefs about what drives others. One can decide to follow a norm because one has internalized it oneself or because one seeks the approval of others who have internalized the norm. Now, if everyone believes that others have internalized a norm, it might be the case that everyone follows this norm to get the approval of others even if nobody actually cares about the norm itself (pp. 112–114). In contrast with these two thought-provoking articles, the only let-down is Gordon Tullock's contribution. His analysis of the differences between democratic regimes throughout the world does not really fit the book, since it in no way contributes to a more thorough understanding of Brennan's oeuvre. Given the additional fact that it fails to present novel insights into the topic itself, I agree with Tullock when he calls his own article "rather unsatisfactory" (p. 59).

The remaining chapters assess public choice theory more explicitly. Defined as the application of economic tools to the study of politics, public choice has successfully tackled questions at both the individual level (how do individuals make political decisions?) and the institutional level (what are the rules and institutions that govern political decisions?). Whereas the book's subtitle suggests that it deals exclusively with the former, a number of chapter authors explicitly focus on the second level as well. In fact, this does justice to the wide scope of Brennan's own work, which focuses precisely "on the complex interactions between individuals and institutions" (p. xi).

To illustrate that the two levels do not exist independently from each other, several contributors refer to Brennan's notion of "compound

symmetry,” which means that analyses of individual behavior in the private and the public domains should not be conducted on the basis of two completely divergent models. The traditional assumption in political philosophy holds that individuals are either purely egoistic (in the market) or purely altruistic (in the state). Brennan’s notion of “symmetry” stresses that individuals remain basically the same in both contexts. However, he does not think of this symmetry as perfect, like James Buchanan does. Instead, he qualifies it as “compound,” which means that individual motivations alter slightly in both spheres. Since individuals are motivated by a whole gamut of considerations that become more or less relevant in different contexts, the resulting changes in behavior are marginal rather than fundamental. Consequently, Brennan defends a view of individuals as heterogeneously motivated, which is unthinkable in both the traditional view and Buchanan’s view (pp. 37–39).

Brennan’s aversion to the all too simple economic model of individuals is a repeated theme. Alan Hamlin agrees that this view of individuals as aiming to satisfy their preferences, often defined in terms of self-interest, should be broadened to encompass a wider array of motivations. In this respect, Hamlin focuses on the importance of dispositions, which he defines as general tendencies or inclinations that form the basic starting point for an individual’s behavior. Such dispositions are situated at a higher order than the conventional economist’s bundle of preferences: “it implies some structure to decision making rather than simply providing another desire-belief input to decision making” (p. 7).

J.R. Clark and Dwight Lee refer to another way in which Brennan has broadened the model of conventional economics, namely by focusing on his notion of expressive action. According to Hamlin (p. 9), this is best understood as action motivated by expressive preferences, which exist next to the instrumental preferences that are the focus of conventional economics. Depending on the context in which individuals make their choices, either instrumental or expressive preferences will overwhelm the other. Instrumental considerations dominate in market settings, since the latter allow individuals to realize their most preferred outcome. In contrast, expressive considerations tend to dominate in settings where individual behavior has little or no actual consequences. Large-scale elections provide the paradigmatic example. While this seems the most obvious research area for public choice theorists, it has turned out to be the most complex and perplexing one. Conventional economists, who focus exclusively on instrumental preferences, predict that no rational citizen will ever vote, since the effect of a single vote on the electoral outcome is negligible. The fact that standard public choice

theories fail to account for the basic fact that a lot of citizens vote has become known as the paradox of voting.

Brennan deserves much credit, not only for formulating this paradox in a clear manner, but also for trying to solve it by amending the problematic assumptions that underlie standard public choice theories. In their chapters, J.R. Clark, Dwight Lee, James Buchanan, Yong Yoon, and Robert Goodin all refer to Brennan's argument that the basic problem lies in the complete absence of a link between the individual's preferences and the resulting social outcome. After all, an individual cannot realize his preferred option by means of his own actions: "the single voter cannot directly choose the collective outcome" (p. 68). All a single citizen can do is to express his preference; the resulting outcome emerges but is not directly chosen by anybody (pp. 125–126). In circumstances where actions have no impact on the end result, the easiest way to satisfy preferences is to express them (pp. 17–18).

Brennan rightly stresses that this fundamental difference between the private and public context provides public choice theorists with the main reason to go beyond conventional economics. In my view, however, both Brennan and the book's contributors do not go far enough in this respect. Expressive considerations should not be understood in terms of preferences that can be satisfied through one's actions (forward-looking). What most citizens express when voting is their adherence to some kind of civic duty or social norm, according to which voting is a good thing to do. These considerations are best understood as commitments that drive them to the voting booth, without much consideration of the consequences of doing so (backward-looking).

To be sure, the above-mentioned attempts to broaden the narrow model of conventional economics are steps in the right direction. However, while most of the book's contributors indicate how a richer view of individuals can be formed, a genuine and fully developed alternative to this model of a one-dimensional, instrumentally motivated Homo Economicus is still lacking. Therefore, I fully agree with Hamlin's remark that "all of this needs considerable further work, and this is work that takes us well beyond conventional economics" (p. 14). Because I believe that the suggestions made in this book do not take this step to the extent that is necessary, I hope that its contributors, as well as Brennan himself, will continue to rise to the challenge of going beyond conventional economics.

To conclude, *Beyond Conventional Economics* presents an interesting collection of highly insightful articles by a number of the leading theorists on the boundaries of political philosophy, economics, and political science. In

the spirit of Brennan, it offers a welcome critique of the inadequacies of conventional—but alas still dominant—economics, and in particular of its application to political behavior and institutions. Therefore, I highly recommend this book to anyone studying (the limits of) public choice theory. Whether they are interested citizens, political philosophers, economists or political scientists, anyone working in this field will benefit greatly from the insights it develops.

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***Economics for Humans.* By Julie A. Nelson, Chicago: University of Chicago Press, 2006, 154 pp., ISBN 0-226-57202-1, \$16.00 (hardback).**

At the time of this writing, I have had two sequential, thoroughly enjoyable Sunday afternoons. One was kayaking down a serene section of the Wading River in southern New Jersey. The other was reading Julie Nelson's thought-provoking treatise. *Economics for Humans* is intended for a popular audience, and I highly recommend it to students and scholars in many fields, to professionals in the media (including political pundits), and to policy makers.

Nelson creatively argues that the age-old metaphor of the economy as a machine should be replaced with a new one, the economy as a heart and soul. She presents her case carefully and logically, in six chapters that build upon one another. Following an introduction, Chapter 1 reviews the history of economics and traces the evolution of the pro-market view of the economy as an engine (or machine) metaphor; the machine is termed the "body." Chapter 2 summarizes the academic left or radical critique of the mainstream, the anti-market view, with its emphasis on non-economic values or tending to the "soul." *Economics for Humans* seeks to bring the body and soul together, similar to former British Prime Minister Tony Blair's third way. The author lays out this alternative in Chapter 3. Then the following two chapters delve into individual and organizational motives and behavior to demonstrate that what occurs within individual households and business firms is far more rich and complex than standard theory allows. Nelson concludes in Chapter 6 by summing up her theoretical argument and linking it to possible policy implications.

Let us take a closer look at how Nelson develops her case. The economy as machine metaphor has historical roots. Prior to the Industrial Revolution,

economics was about provisioning. The rise of the factory and the use of machines in the mid-18th century changed the form by which the economy was understood. With factory or wage labor came reliance on clocks, as workers were paid if they were “on the clock.” The organization of the economy, of life and work became mechanical. The sciences (e.g. Newtonian physics) and mathematics sought to describe the world in terms of laws and formulas. Even classical economist Adam Smith, it is noted, was not immune to mechanistic metaphors. One minor criticism of the volume is that nearly 100 years of economic thought is omitted (save for one brief reference to John Stuart Mill), so it is unclear to non-economists how the pro-market views of Adam Smith in 1776, and the already entrenched economy as machine metaphor, set the framework for what is termed the “marginal revolution” in the 1870s. Economists (neo-classical economists) really developed “physics envy” in the 1870s, with the prominence of marginal analysis and the use of calculus to reduce the mechanistic operations of the economy to a series of laws. It was assumed that businesses sought to maximize profit. And since household motivation was a bit more challenging to discern, Nelson offers that “utility” (or satisfaction) was invented, something that a household could maximize. “The model [a century after Adam Smith] is simply set up such that everything that is not ‘scientifically’ justified and mathematically tractable is assumed away” (p. 24).

The economic machine, understood by the calculus of rational choice, was thus fixated on the quest for material wealth, measurable profit, growth, and innovation. These were pro-business values in the mid-1800s and they continue as pro-market values today. In this world view, economics is not only separated from ethics, but devoid of ethics. Adds Nelson, “Most economists believe that economic science can proceed just fine without attention to ethics” (p. 22).

The author couldn’t disagree more. In the volume, ethics is defined as concern for moral decision making and concern for interpersonal, caring relationships. Traditional economics has little to say about caring. But heterodox economics does. Nelson’s contribution in Chapter 2 of the volume is to shed further light on the views of market critics. The author selects Karl Marx, Max Weber, and Jürgen Habermas to typify the anti-market argument. Besides the conventional “But how will we replace capitalism?” clamor, Nelson’s insight is to show us that a major problem with all market critics is that they, too, are trapped by the iron cage; that is, they subscribe to the stale metaphor of the economy as a machine.

This brings us to the heart and soul of *Economics for Humans* (pun intended). Nelson dislikes strict dualisms. The economy is both heart and

soul. It is not simply mechanical. In the “economy as heart and soul” metaphor, it is entirely possible for business organizations to behave ethically. Businesses that attempt to grow, households that nurture people, and government that sets the rules do not operate in separate spheres. Caring is performed in all spheres. Money is a motivation in all spheres.

The author spends the remainder of the book effectively showing that businesses are complex organizations of people, with humans who lead and manage them. Households contain people who act with a variety of motives. The real economy has a pulse from a living, beating, and caring heart. This brings together body and soul.

First, it can hardly be assumed that business seeks solely to maximize profit. There are a variety of business goals and objectives—including a high ranking on an annual list of sales, or charitable donations, or environmental friendliness, or work and family policies; or appearing a number of times on the cover of a business magazine, etc.—and these can shift over time. In addition, one cannot assume the same or even consistent motives prevail in for-profit and non-profit firms, and in public sector enterprises. (Nothing, for instance, is automatically better in non-profit firms.) Businesses are social organizations and business behavior cannot be reduced to an algebra problem in neo-classical economics. Nelson outlines scholarship in management that unshrouds firm behavior; leaders inside firms pay attention to values, decision-making is indeed complex, and employers do decide to raise wages for specific reasons, or reduce discrimination, or voluntarily police child labor, or incorporate whistle-blowing and other ethics policies, and the like. So a term such as “business ethics” is not an oxymoron.

Turning to household behavior, it, too, is not reducible to neo-classical assumptions. When one looks inside households, one finds that money motivation is not always selfish. Workers need income to sustain themselves and their families. Child care workers, teachers, and nurses could ask for higher wages and be awarded greater earnings without simply “working for money” and without giving up the dedication to caring. A relatively low-skilled health aide may be employed for a paycheck. The sin here is not a deficit of the employee, but the lack of a living wage. Higher wages make it possible for caring people to care, offers Nelson. In sum, love *or* money thinking (the soul *versus* the body) is misleading, and evidence is presented suggesting that love *and* money is more plausible: “Envisioning relationships as *human* relationships, between people of flesh and blood, rather than looking at them purely from the viewpoint of the mechanical metaphor, opens up the possibility that work relations of all kinds could include respect and dignity” (p. 85).

Though *Economics for Humans* is not explicitly written for undergraduate and graduate students studying the orthodox paradigm (it is a bit simplistic in both the pro-market and anti-market summaries), I would strongly urge assigning it in upper-level economic thought classes or in seminar courses. I believe it is important to hear voices of concern about the state of our discipline from within the disciplinary borders. This volume is written by an economist with impeccable credentials. She offers not only critique, but vision. Social economists have long thought it possible to integrate the study of the economy with ethics and values, and it is unfortunate that the mainstream has not. Nelson's third way, a more pragmatic view of the economy, allows for policies to sustain the environment, to provide for paid family and medical leave, to prevent economic concentration and rely on more progressive taxation, to encourage social and corporate responsibility, for the benefit of real-world economics and the human race.

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***The New Economy and Macroeconomic Stability: A Neo-Modern Perspective Drawing on the Complexity Approach and Keynesian Economics.* By Teodoro Dario Togati, Abingdon, UK: Routledge, 2006, xix + 309 pp. (with index), ISBN 0-415-33876-X, \$140.00 (hardback).**

This quite long-titled volume appears in the book series "Frontiers in Political Economy." The author, Teodoro Dario Togati, is a professor of economics at the Faculty of Finance of the Università degli Studi di Torino and he has published many articles and books, specially on capitalism and Keynesian economics. This interdisciplinary book is about how theory and methodology can be forged and transformed in the current study of stability in economics. It gathers 23 chapters distributed in five parts, plus an introduction and a conclusion. As its title states it, this is an attempt to understand the so-called stability of the new economy, using three theoretical approaches that are compared, namely a Neo-Modern framework, the complexity approach borrowed from epistemology, and the Keynesian theory. As we know, stability per se can be difficult to measure, but it surely can be explained and commented on in various ways.

The style of the author is straightforward; the book contains no jargon, and every term used is always defined properly. His method is mainly

comparative. In the detailed introduction, Teodoro Dario Togati simply defines the “new economy” (NE) “as the transformation that has been taking place in leading economies (especially in the U.S.) since 1995” (p. 1). The aim of his fine book is “to analyse the implications of NE for macroeconomic stability, taken in a very broad sense as encompassing both cyclical and growth issues” (p. 1). First, the author acknowledges the fact that, according to various opinions and perspectives, the new economy can provoke very opposed attitudes: optimistic, sceptical or pessimistic views. But the whole debate remains somehow complex, since it includes various elements which cannot always be measured. Therefore, Togati takes on a few selected authors, from John Maynard Keynes to Victor Zarnowitz, in order

to assess to what extent the NE is characterized by either dynamic or structural instability, that is, whether it implies slower convergence towards a given state of equilibrium or important changes in agents’ qualitative behaviour giving rise to shifts from one equilibrium to another (p. 4).

But in the same breath, Togati also argues that macroeconomic data, neo-classical theory and Keynesianism are not sufficient for the study of stability; so in these cases, other approaches and frameworks are needed (p. 5). The entire book is a sort of a quest for these research methods that will be in some cases borrowed from other disciplines in social sciences to be adapted into the field of economics.

Although Part 1 seems more conventional and austere, it is nevertheless important since it demonstrates how the author sees the conceptual limits of the many theoretical models that have tried to explain the instability and structural change, ranging from the Keynesian growth theory to the recent, new growth theory (Chapter 2), confined here to selected demonstrations. These three first chapters give an adequate mapping of some theoretical issues and recent debates in economics. In my view, Chapters 2–4 (from Part 2) bring the most valuable elements of the book. For instance, in Chapter 4, Togati offers a rigorous critique of the current economic paradigms, whether modern, post-modern or even neo-modern. Among several things, I really liked Togati’s accurate comments on the limits of post-modernism and its implications for economics, referring to what Stephen Cullenberg identified as “the rejection of the ‘rational economic man’” (p. 54). But if all these approaches seem limited, one should not eliminate the neo-modern alternative. However, the author leads us elsewhere, that is, into Complexity theory.

Some of the most inspiring passages of the book are in Chapter 5 on Complexity theory, that, according to Togati, “proposes a powerful vision of

the economy as a whole that seems particularly relevant to the conceptualization of the NE" (p. 58). Here, complexity is understood as a conceptual framework that is seen as relevant for macroeconomics. When referring to "the economic forces in complex systems," Togati writes that they "present phenomenas such as positive feedbacks, increasing returns, self-organisation," but also "non-linearities" and "path-dependence" (p. 58). Many strong ideas are covered throughout in the fifth chapter. For instance, Togati argues (and I agree with him) that "Current complexity theory is therefore not defined by its objects of study, but by its methods, that is, by the approach it takes to understand the economy" (p. 59).

The next three chapters (in Part 3) are more theoretical, with an excellent discussion on two basic macroeconomic paradigms, namely the neo-classical macro level and Keynes's macro level, that will be used and compared in almost every chapter that follows. In Part 4, Chapter 10 gives a detailed definition of the new economy, seen as a technology breakthrough that includes information technology, the Internet, finance, globalization and "certain policy stances" (p. 120). In fact, there are many accurate definitions gathered here and they might be quite helpful, for instance, to those Ph.D. candidates who would need such precise definitions somewhere in their thesis. Chapter 11 on "Multiplicity" includes many interesting pages on globalization, which is seen by Togati as a factor that can reduce instability and cyclical volatility (p. 132).

In the second half of the book, we follow the demonstration of the author using all the elements introduced and presented in the first half. Here, Togati clearly relies on the conclusions made from what I would call an "hybrid" Keynesian standpoint, that sometimes includes as well a few selected elements from the neo-classical macro level as adapted and applied to the new economy. That delicate but convincing operation enables the author to write that "the NE should be seen as dynamically stable" (p. 261). In the last chapters (18–23), Togati also succeeds in demonstrating that "the recent NE not only broadly confirms the basic lines of Keynesian thinking, it also makes it even more stringent, given the greater range of financing opportunities for investment, the increasing predominance of stocks over flows" (p. 261).

It is clear that Professor Togati is at ease with social theory and Keynesianism (see the figure on p. 214). My only quibble about Togati's contribution would be the lack of references from current European authors on complexity, works by Edgar Morin (2003) and Jean-Louis Le Moigne (1999, 2003), or even some Latin-American scholars like Emilio-Roger Ciurana and Raul Motta, who have all published many salient books (in

French and Spanish) about the Complexity theory. In this case, the book by Professor Togati mentions mostly references in English, including the privileged Santa Fe Approach (p. 59), while I would have liked to know a little more about what other scholars do and write on complexity in languages other than English. However, I must admit that all references used in this book are accurate and recent. That quibble aside, I think *The New Economy and Macroeconomic Stability* is an interesting contribution to our understanding of the new economy and complexity since it can challenge in a positive way academics who would still believe in the post-modernist paradigms, no matter where they come from. The book will be accessible to an international audience since it focuses not on only a few countries, but first on theoretical matters. Although not suitable for undergraduates, it is likely that some advanced scholars in social theory and economics would probably benefit from reading this. Even if they do not follow the author in all his demonstrations and conclusions, most graduate students working on such issues related to the new economy will find here a very good discussion on current and emerging theories, specially in the first hundred pages. Finally, I am sure that many economists who praise Keynesian theory will find here another confirmation of its richness and relevance (especially in Parts 3 and 5).

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