It is a stressful thought experiment, but for a rational comparison one indeed ought to consider the values of the various attributes and consequences of these health states, Hausman explains. One would have to gather information about how paraplegia and deafness affect people, try to imagine how these deficiencies impact on herself, given technological resources, her personal circumstances and what she generally value in life.

Overall, the prospects for a general theory of preference formation are bleak, says Hausman in his concluding chapter. 'But useful theories can have narrow scope. Narrowly focused models of preference formation and modification are already in use' (p. 135).

There are two things that I find particularly likeable about this book. One is that the debates that Hausman engages in are alluring and germane to *both* philosophers and economists. Hausman does not just speak to an inner circle of philosophical experts. Secondly, and relatedly, Hausman's methodological appraisal is well rooted in the field of economics. He has for example a keen sense where to strive for more generality and where it seems wise to applaud partial models.

The book intends to be interesting for different audiences: economists, philosophers of economics and philosophers working in other areas of the discipline (especially ethics). I believe it succeeds in this. The book will interest economists who like to think about conceptual topics and frontiers issues in microeconomics, game theory, and welfare economics. Philosophers of economics will see that the book makes various substantial contributions to the literature. Last but not least, Hausman's writing style allows other philosophers to follow these discussions without effort. Where necessary, the book contains brief and non-technical introductions, for example to the axioms of rational choice theory, to expected utility and welfare economics. It is commendable reading for philosophers who work in the areas of practical rationality, social theory, ethics and human well-being.

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The New Economics of Inequality and Redistribution, Samuel Bowles. Cambridge University Press, xvii + 188 pages.

This excellent and thought-provoking book is based on the Federico Caffè lectures delivered at the University of Rome in 2007 by Sam Bowles, drawing on joint work with C. Fong, H. Gintis, A. Jayadev and U.

Pagano. Its key message is that the conventional view of a trade-off between equality and efficiency is at best incomplete, because equality is good for efficiency in various cases. The prospects for egalitarian policies are therefore not as bad as often thought nowadays. But the picture is complex, as it involves dealing with incentive issues, risk sharing, and incomplete information all the way through.

Chapter 1 presents an overview of the main ideas of the book, starting with an exposition of the interaction between the distribution of endowments and governance structures and a statement of the first key idea: 'inequality is an impediment to economic performance when it precludes implementation of productivity-enhancing governance structures', because of oppressive concentration of power in firms, lack of trust between agents interacting with incomplete contracts, and excessive protection and monitoring costs. Bowles' egalitarianism is more about endowments and opportunities than about outcomes: 'some distributions of property rights are more efficient than others'. Another important idea is that market failures and state failures require going beyond the opposition between free-market and statist (e.g. Keynesian, socialist) ideologies, and combining three organizational forms, taking full account of incentive issues: markets, governments and associations (families, communities ...). Bowles argues for a supply-side variant of egalitarian policy, in which solving coordination failures and improving productivity is a more immediate goal than making transfers from rich to poor. A recurrent question is: why are such coordination issues not solved spontaneously by the agents? There may be different explanations for different cases, but they may all have to do with the fear of the privileged that changing the rules of the game (empowering the lower class, or the state institutions) might eventually be detrimental to their special interests. A good example invoked by Bowles is the insufficient investment and effort by entrepreneurs and workers, and insufficient exchange of information between them. They could do much better but both fear that the other party will not deliver and will exploit their effort, so they end up in a prisoner's dilemma in which their efforts to preserve their share of the pie reduce the size of the pie.

Chapter 2 studies the impact of wealth redistribution when the poor are facing difficulties to fund their investments, either by being excluded from the credit market, or by facing higher interests rates due to insufficient collateral. Redistribution opens access to funding to a wider population, therefore reducing inefficiency. Moreover, asset-poor agents are typically more risk averse and make investments with lower expected returns. Redistributing assets therefore also redistributes (expected) income in a double way. Bowles notes that the consequences of redistribution for the economy-wide level of risk-taking and innovation may be negative, if the new investors are more risk-averse than the former ones, but it is not obvious to me that maximizing risk-taking and the expected growth rate is a sound objective.

Chapter 3 addresses the important challenge of globalization. Globalization is often blamed for the decline of national redistributive policies, but Bowles argues against the pessimistic view that national egalitarian policies are impossible. The argument is strikingly simple. Globalization puts severe constraints on the after-tax rate of return on capital, as well as on many relative prices of goods and services. But it is perfectly compatible with asset redistribution, and it even makes the non-wealthy the residual claimants on their collective productivity-enhancing efforts, because the rate of return on capital is determined at the global level. Various policies are discussed by Bowles, and include the unconditional basic income which can be viewed as the distribution of an asset (an annuity). If it were funded by a tax on wages and the elimination of unemployment allowance, it would not affect profits and would enhance the intra-family and credit-market bargaining position of many people.

Chapter 4 examines another facet of globalization, the standardization of culture, with less optimistic conclusions about egalitarianism. Acquiring globally valued skills (such as speaking the lingua franca) is a form of insurance, and one may expect the cosmopolitans to be less supportive of redistribution than the provincials. This is quite different from the view that in Nordic countries the welfare state has been used as the insurance counterpart to great openness to world markets. If globalization creates a class of more secure cosmopolitans, the degree of solidarity within nations may diminish. Conversely, a better safety net reduces the incentives to acquire global skills, making openness and the welfare state substitutes. This chapter concludes that a better measurement of the degree of specificity of people's assets would be quite interesting.

Chapter 5 turns to human motivations and argues that beside the standard selfish motives of homo economicus, there are altruist and, above all, reciprocity motives. The chapter reviews the experimental and survey evidence for the importance of reciprocity motives, and also shows that such motives are quite compatible with the inter-group Darwinian competition that prevailed during the development of the human species. The opposition to welfare programmes is, according to Bowles, not primarily due to selfishness but rather to the belief that such programmes benefit people who are not deserving. The challenge for egalitarian policy is thus to tap into the reciprocity feelings of the population and provide help to the deserving, i.e. those who work hard, save, learn and invest, by raising low wages, returns on savings, education standards and access to credit.

This is a very pleasant read, and a welcome synthesis of the strand of thought that started about two decades ago to analyse the complementarity between redistribution and economic efficiency. This book will be of great interest to policy-oriented readers as well as students and scholars in the field of public economics and political economy.

There is a natural kinship between supply-side egalitarianism (developed by Bowles in this book) and luck egalitarianism (the normative theory of justice that advocates equality of opportunities rather than outcomes), and Bowles notices the connection. The former is about redistributing assets rather than income or well-being, and the latter similarly focuses on giving access to advantage rather securing outcomes. On the other hand, it would be interesting to separate the positive analysis of policy impacts from the normative evaluation of such impacts. The latter could study the impact of supply-side egalitarian policies with a variety of measures of equality and efficiency, and a variety of social welfare functions. The trade-off between efficiency and certain forms of equality is likely to resurface in such analysis. The disadvantaged whose contribution to enhanced productivity is unlikely to be significant may not receive much attention in the new economics of redistribution. The new economics of redistribution promotes opportunities and reciprocity, but does not seem strong on solidarity. Bowles is enthusiastic, positive, and tries hard to fight the prevailing pessimism about redistribution and equality, but his emphasis on productivity and efficiency may also confirm the widespread impression that egalitarian *values* do not receive much support nowadays.

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The Order of Public Reason: A Theory of Freedom and Morality in a Diverse and Bounded World, Gerald Gaus. Cambridge University Press, 2011, xx + 621 pages.

Gerald Gaus's *The Order of Public Reason* is one of the most ambitious systems constructed in moral and political philosophy in recent years. It covers everything from practical rationality and moral emotions in moral philosophy to human rights, political obligations and the limits of the state in political philosophy. In creating a unified theory that deals with all these issues, it uses not only traditional philosophical tools but also methods and results of decision and game theory, evolutionary theory,