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REVIEWS

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Price, Principle, and the Environment, Mark Sagoff. Cambridge University Press, 2004, x + 284 pp.

Mark Sagoff's most recent book draws on and develops his previous work criticising neoclassical environmental economics and the more recent school of ecological economics. His basic argument is that the environment needs to be defended not on instrumental but on moral and aesthetic grounds. Mainstream environmental economics, he argues, focuses on externalities and relies on cost-benefit analysis to achieve economic efficiency, whereas ecological economics takes a wider view of the importance of diverse ecosystems for sustainability. Both, however, rely on instrumental arguments rather than on intrinsic value and concepts of the public good and, according to Sagoff, this is their Achilles heel. While competitive prices, in his view, are the right measure of exchange value and the proper basis for the allocation of resources in relation to individual well-being, moral and aesthetic issues cannot be reduced to a monetary value and should be settled through a deliberative political process.

Sagoff writes well and the book is full of interesting anecdotes and case studies, albeit in a rather homespun style. The argument is discursive rather than systematic which makes it somewhat difficult to follow at times. The author writes from a middle-of-the road Libertarian position, agreeing with Robert Sugden that the principal role of social policy may not be "to maximise the social good, but rather to maintain a framework of rules within which individuals are left to pursue their own ends" (cited on p. 74). Ultimately, his criticism of neoclassical welfare and environmental economics is that their concept of market failure "provides a pretext for overriding in the name of efficiency whatever actual markets may do and thus moves policy away from free markets to centralized planning" (p. 104).

While there is much of interest in this book, and the author makes some telling points in relation to well-chosen targets, in the end it is disappointing. His critique of environmental and ecological economics for their instrumentalism is welcome, particularly in relation to the former, but much of the detailed argument is based on misunderstandings of their analysis or is one-sided. His advocacy of a deliberative political process for dealing with environmental issues points the way forward, but his detailed proposals as to how this might be achieved consist largely of assigning property rights to stakeholders to enable them to bargain and reach a compromise agreement, with little room for concepts of the public good. His critique of government agencies as bureaucratic, paternalistic and self-seeking is well founded, but it is made in the context of a profound distrust of collective decision-making. His insistence on the involvement of stakeholders is compelling, but he does not seem to recognise that differences in wealth and power severely compromise the democratic credentials of the deliberative process.

Although mainstream neoclassical economics in general and environmental economics in particular are vulnerable to fundamental criticisms, Sagoff's critique sometimes misunderstands the neoclassical position and in any case omits some of the most damaging objections to it. The starting point of neoclassical analysis is the value judgement that individuals are the best judge of their own welfare. This welfare may in theory be contributed to by personal consumption of goods and services, or by the welfare of others, or by the knowledge of the mere existence of environmental or ecological states, even though in practice the emphasis is firmly on the first of these. The author is aware of this, quoting Arrow's observation: "It is not assumed here that an individual's attitude towards different social states is determined exclusively by commodity bundles which accrue to his lot . . . [T]he individual orders all social states by whatever standards he deems relevant" (cited on p. 50). However, he rejects the argument that choice reflects preference and that preference reflects welfare, on the ground that it is tautological, and he is correct to do so. Nevertheless, given this neoclassical value judgement the argument is consistent, even if based on a false premise.

The most fundamental critique of neoclassical welfare economics, however, is its neglect of distribution. In the absence of market failure, a perfectly competitive economy produces an "efficient" allocation of resources, efficient in the Paretian sense that no one individual could be made better off by any alternative allocation without making at least one other individual worse off, where better and worse are the judgements of the individuals concerned. Given that preferences are satisfied only to the extent that an individual commands wealth and income, there are an infinite number of "efficient" allocations corresponding to the

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infinite number of wealth and income distributions possible. Mainstream economists take distribution as given, a matter for politics, and then focus on how to achieve a Pareto-efficient allocation of resources. Neoclassical efficiency, price, cost-benefit analysis have no bearing on welfare in this context, but this is not discussed by Sagoff. I shall return to these two issues, individuals as the best judge of their own welfare and the distribution of wealth and income, when discussing the author's own proposals for dealing with environmental matters.

There are also problems with Sagoff's analysis of ecological economics. He rightly recognises that ecological economics is superior to neoclassical environmental economics in that it takes a wider view of the issues at stake, focusing specifically on vital ecosystems. His discussion of ecological economics concentrates on two debates in which the issues involved are sharply contested, but his critique in each case relates to only one side of the debate. First, there is the attempt made by Costanza et al. (*Nature* 1987) to estimate the value of global ecosystems and natural capital by attaching a price to each component and then aggregating. Sagoff makes some telling criticisms of this approach but does not recognise that it has already been subjected to extensive criticism from within ecological economics. Indeed, some ecological economists argue that one of the defining characteristics of their approach is that crucial non-renewable resources and ecosystems are incommensurable, that is they are non-substitutable and hence cannot be reduced to a single (monetary) measure. Thus, attaching a monetary value to all nature elides a fundamental distinction between human and human-made capital, on the one hand, and natural capital on the other (though even the concept of nature as "capital" has been challenged). They would therefore agree with Sagoff that an estimate of the market value of nature bears no relationship to its use value.

The second debate Sagoff considers in his discussion of ecological economics is that concerning the limits to growth said to arise from a scarcity of natural resources. Here, he seems to support the mainstream position that the substitution of less scarce for more scarce natural resources, together with new technology and the discovery of new sources of natural resources, removes the problem of a general scarcity of resources limiting growth. Even if this were true, however, it does not address the emphasis placed by ecological economists on complex ecosystems, such as climate, about which we have insufficient knowledge to take fine-tuned cost-benefit guided action before it may be too late. In this context, ecological economists have advocated adoption of the precautionary principle and argue that the weighing of present benefits against possible future costs cannot legitimately be undertaken on the basis of scientific knowledge alone, but should be done through a deliberative process

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involving the principle stakeholders. This position has much in common with that recommended by Sagoff himself, as we shall see.

Although Sagoff claims that the arguments for the existence of natural limits to growth advanced by ecological economists do not stand up, he nevertheless concludes that "the thesis that there are significant natural limits to growth remains appealing" (p. 159). Even so, his fundamental criticism of ecological economics, as of environmental economics, is that it is instrumentalist. He comes back time and time again to his starting point that environmental issues are essentially aesthetic and moral issues. Thus, "[t]he goal of environmentalism may be to protect nature *from* rather than *for* instrumental or economic purposes" (p. 163), and "[e]conomic growth may be morally undesirable even if it is ecologically sustainable" (p. 175). This insistence on intrinsic rather than instrumental value is very refreshing. It is when we turn to Sagoff's recommendations as to how to incorporate this into decision making that problems arise.

His starting point is Zuckerman's dilemma: "finding ways to honor shared aesthetic and ethical beliefs while accommodating legitimate economic interests" (p. 19; taken from E.B. White, *Charlotte's Webb*, Harper & Row, 1952). In place of cost-benefit analysis he recommends "democratic deliberation." In relation to pollution, Sagoff contrasts the neoclassical environmental economist's concept of pollution as an external cost with an alternative view that sees pollution as a trespass, an assault, a public harm. Cost-benefit analysis seeks to find the "optimal" amount of pollution; the alternative approach is to seek to minimise pollution. However, to reduce pollution to zero would preclude any economic activity. Hence the author introduces the concept of the "knee of the curve," that is, "the point at which the cost of controlling the next incremental unit of pollution begins to increase rapidly" (p. 25). He advocates a pragmatic case by case approach in which stakeholders make use of concepts like the "knee of the curve" and seek to reach agreement on a policy package that they can all live with, noting that, "[t]his could involve halving the difference – which is what happened when Hetch Hetchy was flooded [to supply water for San Francisco] but the Yosemite valley was consecrated to preservation" (p. 21).

The final two chapters illustrate the author's approach with four case studies in which the history of the attempt to achieve environmental improvement is outlined: grazing in the US West; visibility at Grand Canyon; clean air in Phoenix Arizona; and forests in the northern Sierra Nevada in California. The discussion is shaped by the author's view that the role of economists in environmental policy should not be that of estimating values and optimal outcomes, but rather of providing an institutional framework within which individuals can pursue their own ends through interacting with one another. He specifies three ways in which this was done in the case studies in question: institutional arrangements, such as property rights and markets in grazing, or in permits to pollute; ways of measuring environmental progress, such as the "knee of the curve"; and measurement of the costs of pollution control and environmental protection. Within an appropriately designed institutional framework and making use of relevant information, individuals with different interests, values, aesthetics, and moral principles can then bargain with one another and arrive at an agreed policy.

Sagoff is well aware of the potential problems in such an approach, in that those involved may not agree. Some form of sanction may be needed, as in the case of visibility at Grand Canyon where an impasse was broken by the threat of the regulatory agency to impose a lose-lose solution if agreement was not reached within a certain time. However, he argues that historically in the US regulatory policy had resulted in paralysis, in the form of an "Iron Triangle." This consists of a three-cornered tug of war between the environmental protection agencies, special interests, including industry and the national environmental groups, and members of Congress who intervene with the agencies to favour their most powerful constituents. In addition, there is typically a "fourth corner," with appeals to the courts at every stage. The result, not surprisingly, was frequently stalemate. Against this background, even if there are problems of reaching agreement, the decentralised process that Sagoff recommends has a lot going for it.

However, there are two inter-related problems with this approach, which bring us back to the two issues identified for further discussion when considering the author's critique of neoclassical environmental economics – individuals as the best judge of their own welfare and the distribution of wealth and income. Quoting Gottlieb and Ingram, Sagoff celebrates the emergence of a "new environmentalism," a "grass-roots, community-based, democratic movement" (cited on p. 216), which he illustrates through the case study of the Quincy Library Group. Decades of struggle between loggers, environmentalists, and agency officials had resulted in deadlock, with the result that the forest was suffering to the detriment of the interests of all. In frustration they decided to meet face-to-face in the eponymous library to work out a compromise solution, which they did, eventually getting it through Congress to become law in 1998. However, national conservationist groups were concerned about the implications of this local agreement, on the grounds that the fact that local people can agree, within the constraints in which they are operating, does not necessarily make for good public policy. As it turned out, the law became bogged down in litigation, repeated reviews and new studies, and has still not been implemented.

When criticising neoclassical welfare and environmental economics Sagoff argued against the assumption that choice reflects preference and preference reflects welfare, the mainstream's interpretation of its value judgement that individuals are the best judge of their own welfare, on the grounds that it is tautological. Yet in recommending the new environmentalism Sagoff himself argues that the grass roots knows what is in its interests better than national agencies or economists. In both cases the problem of collective decision making is ignored. While agreeing with Sagoff that the local knowledge of those engaging in a participatory grass-roots decision-making process is an essential input, what is missing is a discussion of collective participatory decision making in a multilayered society in which the framework of constraints within which lower levels interact and negotiate is set by decisions made at higher levels. Hence, in part, the objections of the national conservation groups to the Quincy Library Group agreement. One should surely be very cautious about recommending purely local solutions when the Bush administration, under the influence of the large corporations, is in the process of dismantling the regulatory framework created through a century of struggle to defend the environment.

In the end, the problem with Sagoff's position is not his critique of environmental and ecological economics which, although unfair in places, is along the right lines, particularly with respect to the former. The problem is his Libertarianism and associated mistrust of collective action. He states his position clearly in the introductory chapter:

> The market mechanism provides the best framework we know for maximising the instrumental or economic value of nature. Competitive markets are marvellous institutions for allocating resources . . . I think it is plain, however, that market allocation has to be balanced by political deliberation with respect to social policies that involve moral or aesthetic judgement . . .
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> A distinction between a political compromise and an economic tradeoff may help make this point. A political compromise, at least in principle, responds to reasons; an economic tradeoff, in contrast, weighs preferences. Political compromises may be said to be legitimate insofar as they emerge from democratic processes structured to ensure that all sides get a fair hearing. Economic tradeoffs, in contrast, take place between strangers who make exchanges in the market. (pp. 13–14)

With respect to both types of decision the starting point is the initial endowment of the participants: wealth and income in the case of economic transactions; grazing rights, tradable permits, logging rights in the case of the new grass-roots environmentalism. While the Quincy Library Group discussions no doubt involved "reasons," the outcome was inevitably constrained by the initial distribution of power – the property rights of the logging companies and the ability of the local environmental groups to prevent the exercise of those rights through administrative appeals and litigation. The policy of completing the set of property rights by privatising hitherto commonly owned resources and establishing tradable rights in grazing, polluting, or logging, amounts to what Karl Polanyi called "the commodification of nature."

Thus, Sagoff proposes a combination of competitive markets and local bargaining, in both cases operating through the interaction of individual agents on the basis of their property rights or their political power to block the use of those rights. Although he initially advocates a deliberative process in which people act as citizens when considering the public good, this has largely disappeared when we get to the new environmentalism in which people bargain for the best they can get in terms of their interests. The problem of how to achieve participatory democratic collective decision making at the societal level is not addressed. Nor is the question of whether stakeholder deliberation can be democratic, even if everyone gets a fair hearing, when the power and resources of the different stakeholders are significantly different. This is an issue, incidentally, that ecological economics, with its advocacy of stakeholder input into decision making in situations of uncertainty, also fails adequately to address.

There is much of interest in this book, especially in the case studies. Its insistence that many environmental features and ecosystems cannot sensibly be given an "economic value," but instead need to be valued for their intrinsic worth, becomes more important by the minute. Its critique of the bureaucratic and technocratic behavior of national environmental regulatory agencies deserves to be taken seriously. Its advocacy of stakeholder involvement in decision making is compelling. Indeed, its discussion of citizen associations like the Quincy Library Group is fascinating and encouraging. However, there is another view of citizen associations and civil society which distinguishes between citizens in their different roles, on the one hand, and business and government, on the other hand. On this view, the process of deepening democracy consists of developing ways of extending the control of citizens, of civil society, over both business and government. This approach, like Sagoff's, is based on stakeholder participation in decision making, but, unlike his, it addresses the two key issues of collective decision making and the distribution of wealth and power.

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Dworkin and His Critics, Justine Burley (ed.). Blackwell, 2004, xiii + 412 pp.

Like most things which one has been expecting, with a high degree of anticipation, for a long time, this collection of essays on Ronald Dworkin's moral, political and legal philosophy elicits disappointment as well as excitement. Disappointment, because some of the essays were clearly written a while ago, before their authors developed the views articulated therein in now very well-known monographs or articles, as a result of which very few readers will find anything new in those particular essays. I have in mind, among others, for example, Kymlicka's piece on freedom and culture and Van Parijs' essay on equality of resources and undominated diversity, which are developed in, respectively, the former's *Multicultural Citizenship* and the latter's *Real Freedom for All* (Kymlicka 1996; Van Parijs 1995).

Excitement too, however, because Justine Burley, the collection's editor, and one of its most interesting contributors, has managed to garner contributions from highly respected philosophers on all aspects of Dworkin's work: this is no mean feat, as Dworkin has published on issues as diverse as equality, welfarism, integrity, individual autonomy, abortion, justice in health care, the rule of law, political obligation, genetics, and physician-assisted suicide. The breadth and range of the collection's essays are testimony to Dworkin's extraordinary creativity.

The collection is divided into five parts, the first one of which analyses and criticizes Dworkin's brand of egalitarianism as found in the first three articles of his four-part "What is Equality" series.[1] The second part considers applications of Dworkin's theory, in the fields of healthcare and procreation, whilst the third part is given over to Dworkin's controversial stands on abortion, euthanasia, and assisted suicide, and the fourth part to some aspects of Dworkin's legal philosophy. Part Five contains Dworkin's replies, which vary considerably in length and scope, which are not always convincing, but which show Dworkin's level of engagement with his critics.

Taken as a whole, the collection not only offers penetrating insights into, and criticisms of, Dworkin's views on the aforementioned issues; it also displays very different and varied ways of reading, and using, an author's body of works. Some of the chapters focus on some very specific arguments within a strand of Dworkin's work, whilst others seek to bring out the implications of Dworkin's theory for a given issue on which he himself has not said much. G. A. Cohen's characteristically forensic dissection of Dworkin's take on expensive tastes, M. Cohen Christofidis'

[1] Now reprinted as Chapters 1, 2, and 3 of *Sovereign Virtue* (Dworkin 2000).

deep and subtle criticism of his argument on the slavery of the talented, and J. Waldron's reconstruction of his account of the rule of law are good examples of the former, while P. Casal and A. William's piece on procreative justice and Kymlicka's chapter on freedom and culture are good illustrations of the latter. In that sense, the collection is as much about Dworkin's work as it is about *Dworkinian* theory; devotees of textual exegesis might regard this as a weakness, others might, on the contrary, deem it one of its strengths. Be that as it may, there is no doubt that any student of Dworkin, indeed, that any one interested in any of the many topics studied here, will have to read this book.

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On the political economy of neo-liberalism: a review of The Rise of the Market: Critical Essays on the Political Economy of Neo-Liberalism, P. Arestis and M. Sawyer (eds.), Cheltenham: Edward Elgar. Pp. viii + 233. ISBN 1 84376 725 2.

This edited volume consists of a collection of essays, previously published in the journal *International Papers in Political Economy*, on the rise and nature of neo-liberalism. The volume contains six substantive chapters, along with a slender descriptive introduction by the editors. While providing only a series of vignettes on the topic of neo-liberalism, this is a stimulating collection of essays, which will inform and provoke both friend and foe of neo-liberalism alike. A recurrent, though not all-encompassing, theme in the book concerns the issue of the relationship between social structure and human agency, and it is this theme which will be highlighted in this review.

Michael Howard and John King draw on the work of Gerry Cohen and Michael Kalecki in order to develop a historical materialist account of the rise of neo-liberalism. For Howard and King, social, political, and ideological factors are ultimately determined by the requirements of (advanced capitalist) production. However, contrary to the traditional Marxist presumption that technological developments are market-eradicating, Howard and King argue that the advent of post-Fordist methods of production, coupled with the expansion of the service sector and advances in ICT and transportation, favored the development of smaller firms and thereby promoted rather than retarded the development of market relations. For Howard and King, therefore, it is in the drive to facilitate the efficient use of the productive power of such technological developments that the root cause of the rise of neo-liberalism is to be found.

However, while social-structural factors such as the decline of the Fordist regime of accumulation have an important role to play in explaining why by the late 1960s and early 1970s it had become increasingly difficult to sustain the postwar social democratic consensus, a more rounded account of the rise of neo-liberalism arguably requires greater emphasis on the role of human agency than such a technological determinist framework permits. For the political and economic problems of the 1970s spawned a neo-liberal revival only after they became commonly understood as amounting to a state of *crisis*, that is a situation in which it had become widely understood that the economic and political problems confronting society were so severe that they could be remedied only if the prevailing social democratic policy paradigm were replaced by a neo-liberal one. Defined thus, a crisis is not a purely objective or material phenomenon which develops and exists independently of the subjective perceptions and judgments (in short, the *agency*) of political actors. On the contrary, there is an irreducibly subjective or perceptual element to crises because in order for a given set of objective or material conditions to constitute a crisis, they must first of all be portrayed or "discursively constructed" as being sufficiently serious to warrant a radical recasting of the state's role in socio-economic affairs and, then, second, such a (subjective) interpretation must become widely accepted. By highlighting the way in which political actors like Mrs Thatcher, New Right think tanks and their supporters in the media skilfully exploited the political opportunities provided by the economic and political turmoil of the 1970s, using them to justify a shift to a radically new approach to policy, accounts which acknowledge the impact of human agency as well as social structure can illuminate aspects of the rise of neo-liberalism that might go unnoticed from a technological determinist vantage point. In particular, such an approach makes it possible to fill two lacuna in Howard and King's account, namely the absence both of a clear definition of "crisis" (a term which Howard and King use but do not define) and also of an explanation of precisely when the volume and severity of the problems besetting policy-makers in the 1970s became so acute that a full-blown state of crisis had come to prevail (a situation which arguably occurred when the portrayal of those problems as warranting a radically new approach to policy had become widely accepted) (Hay 1999).

In truth, in places Howard and King seem to come close to acknowledging the causal impact of human agency, referring as they do at times to technology as "a" (rather than "the") determinant of socio-economic affairs (p. 59) and admitting, when talking about the relationship between technology and social and political life, that "[t]he causation was not, of course, all one way" (p. 56). And it is important that they should do so, not only for intellectual, but also for practical political purposes. For, to pick up on a theme which is also touched upon in Tsakolotos's contribution, by suggesting that the rise of neo-liberalism is the inevitable consequence of technological developments and global economic forces, deterministic analyses encourage a highly pessimistic view of the scope for contesting and steering the future direction of policy-making. Indeed, such a deterministic analysis arguably underpins New Labour's commitment to market forces; the sociological analysis underpinning the Third Way reduces politics to the task of seeking ways passively to adapt to the pre-ordained future produced by the inexorable forces of globalization, post-Fordism and class dealignment, foreclosing the possibility of genuine debate over alternatives to the Anglo-Saxon model of capitalism. Recognizing that the rise of neo-liberalism was contingent on the agency of political actors provides a useful antidote to such determinism, thereby making it sensible at least to conceive of the possibility of challenging the current reliance on market forces (Finlayson 2003: 102–43).

Ben Fine provides a fascinating examination of the intellectual counterpart to the practical process of commodification, namely economic imperialism, focusing in particular on the way in which the notion of social capital has provided a bridgehead from which economic reasoning can continue its imperialist advance into other disciplines. A key factor here, Fine argues in the first of his two chapters, is the way in which each of the various forms through which capital moves (from money to productive capital and thence to commodity capital) encourages a different understanding of capital (as finance, as an instrument of production and as output respectively). This "fluidity" of capital, as Fine terms it, obscures the common social relations under which all the various forms of capital are produced. This has two important consequences. First, it encourages an individualist portrayal of capital as the product of the actions of isolated, atomistic economic agents. Second, it implies that the various forms of capital tend to be understood in isolation from one another, and is therefore conducive to many varied (and "chaotic") interpretations of what constitutes capital. In particular, the a-social, a-historical notions of capital promoted by its illegitimate separation from its underlying social relations can readily be extended and applied to other social phenomena, so that the social and the economic are brought back together once more, but with the former becoming (mis)construed as instances of the latter. The notion of "social capital" exemplifies this process, Fine argues, with the neoclassical concept of physical capital, having been developed in isolation from the social relations which underpin it, being re-applied to the study of social relations themselves. The latter are then (mis)conceptualized individualistically, as no more than the product and property of atomistic individuals, rather than as a macro-sociological relationship between classes. The upshot is the economistic reduction of the social to the economic (as "capital") so that, for example, relations of trust are viewed simply as a rational response to the difficulties posed by asymmetric information and collective action problems. The impact of macro-structural relations – of power, for instance – is thereby ignored and concealed. These points are illustrated by discussions of the work of Pierre Bourdieu (1986, 1996), Gary Becker (1996) and James Coleman (1990).

However, while Fine's is a clearly a materialist account of imperialism, seeking as it does to show how the nature of capital has paved the way for the colonisation by economics of other social sciences, he also (in his second chapter) draws attention to a number of other factors, both within and outside the discipline of economics, which have encouraged the imperialist expansion of economic reasoning. In keeping with Kuhn's emphasis upon science as a social construct, Fine highlights a number of intellectual, personal and professional imperatives stemming from the state of the discipline of economics which have stimulated the discipline's imperialist ambitions (most notably the need to find new sources of funding and additional outlets for the energies of new researchers). In addition, according to Fine, a reaction within social science against the excesses of postmodernism has fostered renewed interest in the impact of economic factors, making other social scientific disciplines more receptive to economics' imperialist overtures. However, notwithstanding such influences, Fine rejects the deterministic claim that nothing can be done to halt the inexorable annexation of the other social sciences by economics, highlighting a number of factors which might be conducive to a renewal of political economy.

Euclid Tsakalotos's intelligent and thoughtful chapter examines another consequence of the fluidity of capital, namely the scope for the practical expansion of the domain of capitalist production. Tsakalotos focuses on one particular aspects of this neo-liberal practice, namely the extension of market-type relations to encompass ever-greater swathes of production in the public sector, via policies like privatization, compulsory competitive tendering, and the use of performance-related pay, quasi-markets and private finance. The most prominent intellectual rationale for such policies is provided by economic models of rational behavior under asymmetric information. The problem with such models, Tsakalotos argues, is that they presuppose that people are opportunistic, narrowly self-interest utility-maximizers, thereby ignoring the fact that people are social beings whose capacity to think and to act, whose goals and consequently whose actions, are all profoundly shaped by the networks of social relations within which they are embedded. Drawing on the work of Samuel Bowles, Albert Hirschman and Julian Le Grand, amongst others, Tsakalotos argues that such relations are often imbued with normative content, giving rise to canons of behavior (such as norms of public service, fairness and reciprocity), the motivational force of which can outweigh the dictates of pure self-interest. On this view, people have the capacity to override the urge opportunistically to pursue their own self-interest in favor of conforming to social norms which they have acknowledged as having a claim on them.

However, according to Tsakalotos, because much of the economic theory on which the market-based reforms of the past quarter century are based is methodologically individualist in orientation, it fails to do justice to the way in which people's participation in certain types of social relation can induce them to eschew instrumentally rational (opportunistic, self-seeking) modes of conduct in favor of expressively rational behavior driven by their commitment to social norms. Moreover, because they ignore this possibility, market-based reforms may have perverse consequences. For if people are in practice motivated at least in part by a commitment to social norms, then the implementation of policies (such as performance-related pay and quasi-markets) which presuppose that they are driven only by a desire to pursue their own self-interest may, by making it harder for people to display their commitment to those norms, "crowd out" the motivation they provide. Worse still, by denying people the opportunity to exercise their capacity for altruistic and norm-guided behavior, such policies may ultimately lead to the atrophy of that capacity.

One feature of the neo-liberal ascendancy has been the tendency for the conduct of monetary policy to be devolved to independent central banks. James Forder's intelligent, and well-informed contribution, analyses the political economy of central bank independence. Forder dissects the case for central bank independence with considerable care and precision, arguing in particular that its advocates have failed to do justice to the case for retaining democratic control of monetary policy. In the first place, Forder contends, they have ignored the *intrinsic* worth of democratic decision-making. Drawing on the republican tradition of political thought, Forder suggests that democratic control over policy is valuable in-and-of-itself, irrespective of the quality of decisions to which it gives rise, because it enhances the extent to which people can participate in the political process, encourages people to view themselves as citizens who play an active part in decision-making, and increases the legitimacy with which decisions over policy are viewed by those who are subject to them. Moreover, even if the intrinsic merits of democratic control over policy are put to one side, and even if the theoretical and empirical case for the superior anti-inflationary powers of independent central bankers over elected politicians is accepted, the conduct of monetary policy raises normative issues which create a role for democratic control over policy. The existence of short-term trade-offs between inflation and employment, along with the possibility of longer-term trade-offs between inflation and exchange rate stability, the stability of the financial system, and the distribution of income, suggests that, far from being a purely a technical matter, the conduct of monetary policy raises important normative issues concerning the prioritisation of policy goals, decisions over which create a role for the input of democratically elected politicians.

Forder then goes on to challenge the theoretical arguments and empirical evidence used to support the claim that unelected policy-makers enjoy greater "credibility" than elected ones and that this suffices to improve the outcomes of policy. Invoking the work of Adam Posen, as well as his own earlier research, Forder contends that empirical evidence concerning the impact of independence on sacrifice ratios provides little support for the claim that suggests that greater independence enhances a central bank's credibility. Moreover, according to Forder, advocates of central bank independence have sought to articulate the deficiencies of democratic control of monetary policy without considering seriously the possibility that non-elected policy-makers may also pursue their own goals. Drawing on evidence suggesting that consistent counter-inflationary policies are sustained only where finance capital has the power to insulate independent central banks from the pressure exerted by other interest groups, Forder argues that such banks serve the interests of finance capital, raising doubts about their legitimacy. (This also provides another illustration of the importance of considering the influence of the broader social-structural context within which policy is conducted.) For Forder, then, advocates of independence have yet to make a compelling case that the putative benefits of independence outweigh the costs incurred because of the loss of democratic control of monetary policy.

The final essay in the collection, by George Katiforis, has little to say about neo-liberalism, and in that sense sits rather uneasily with the other contributions. Katiforis engages in an extended comparison of the works of Marx and Keynes, with the aim of showing that Keynes can be viewed as a "bourgeois Marxist," that is as someone who, while emphasising psychological factors rather than technology, broadly concurs with Marx in "the diagnosis of the class-nature of bourgeois society, [and] the revolutionary possibilities implicit in it," and who accepts "the pre-determined historical transience of the capitalist system" (p. 188). In advancing this reading, Katiforis focuses on two of Keynes's works, his *Economic Consequences of the Peace* (1920) and his speculative essay on "Economic Possibilities for Our Grandchildren" (1930), the latter being an essay described by one of Keynes's contemporaries as "a provocation, a *jeu d'esprit* aimed at clever young Wykehamists and Etonians" (Skidelsky 1992: 237). It is not immediately obvious, to this reader at least, that the aforementioned works constitute a sufficiently robust foundation on which to erect such a radical interpretation, especially in the light of other passages in Keynes's writings, such as the following, taken from *General Theory*:

> It is not the ownership of the instruments of production which it is important for the state to assume. If the state is able to determine that the aggregate amount of resources devoted to augmenting the instruments and the basic rate of reward to those who own them, it will have accomplished all that is necessary. (Keynes 1973: 378)

Passages such as these lend support to the common view of Keynes, not as a prophet of capitalism's downfall, but rather as suggesting that macroeconomic demand management could be used to regulate capitalism without sacrificing either (the majority of) private property or freedom of choice at the microeconomic level (Skidelsky 1979). These reservations notwithstanding, Katiforis's essay is interesting and repays careful reading and study.

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Penser la justice entre les générations: De l'affaire Perruche à la reforme des retraites, Axel Gosseries. Collection Alto, Flammarion, Paris, 2004, 320 pp.

In 1982, a pregnant women contracts rubella. Knowing that this might cause damage to her unborn child, she visits the doctor and expresses her wish that if the unborn child has also contracted the disease she wants to end the pregnancy. The doctor orders a clinical test which proves to be negative. Eight months later, Nikolas Perruche is born with the Gregg syndrome, which makes him a severely disabled child. A claim for compensation is submitted to the court and after a lengthy legal battle results in the so-called "Arret Perruche" which explicitly grants *the child* compensation for the damage caused by the medical error. It started a flurry of protests from all sides. Should it not be the parents alone who ought to be compensated? Is it really a mistake for a disabled child to be born? Did the doctor really cause this handicap?

This is the starting point of Axel Gosseries' book. The Perruche affair is the ideal way of introducing Derek Parfit's non-identity problem.[1] In his final decision, the judge clearly considered the medical error to be directly (causally) related to the physical handicap of the boy, but that is of course a mistake. The medical error did not in any way "harm" the boy; in fact it was a necessary condition for the existence of the child. The author goes to great length to spell out the non-identity part of this example. For anyone familiar with the literature, perhaps too great a length. But this book is not aimed at the specialists alone; on the contrary, it is aimed at a much broader public and above all a French public. One should realise that despite all the talk of a "global culture," France is still a different country when it comes to philosophy. Many French philosophers still refuse to take a serious look at "puzzles" like the non-identity problem, which they consider nothing but a "*jeux des mots.*" The situation has certainly improved over the past decade, but the river runs deep and therefore maybe the greatest merit of this book is the simple fact that it is written in French, directly aimed at the French (and Canadian) market while not giving up in any respect on the rigor of Anglo-Saxon philosophy. It is surprising and at the same time hopeful to see that the first print run of this book sold out in just a

[1] The non-identity problem was introduced by Derek Parfit in 1984 in his *Reasons and Persons* (Clarendon Press). In a nutshell the non-identity problem pops up whenever our actions influence not only the quality of the life of persons that come after us but also their identity. At that point it becomes difficult for future persons to say that they were "harmed" by our actions because there existence is contingent on the blame (or praise) worthy action.

few months. Remarkable for a book that, after all, is no easy reading, and certainly not "French."

The Perruche affair is a great appetiser; precisely because it was so widely discussed in France it makes the (French) reader feel that if you take the non-identity problem seriously, it completely redefines the way you look at such questions, and it demonstrates very clearly the limitations of the judge's decision. In the next two chapters the non-identity problem remains central; the first chapter focuses on our relation to the dead, the second (which to me seemed to be the best in the book) on our relation to future generations. There is however a big difference from the way in which Derek Parfit himself introduced the non-identity problem. For Parfit the problem demonstrated a new program of doing ethics, with a clear revisionist agenda towards common sense ethical intuitions. This is not the way this author wants to go forward. His aim is not revision, but rather coherence. As the author indicates in the introductory chapter, finding a reflective equilibrium is what he aims for. It is the spirit of Rawls, not of Parfit (or should we say the spirit of the author's spiritual father Philippe Van Parijs) that looms large in this book. The intuitions are clearly leftist libertarian. This becomes even more apparent in the fourth chapter, where the author discusses the problem of intergenerational distributive justice in a growing economy. Rawls discussed this question in his *Theory of Justice* where he struggles with the dilemma of guaranteeing economic growth while retaining his egalitarian intuition. Brian Barry and others pointed out that Rawls did not satisfactorily solve the problem, as he had to switch suddenly to an altruistic motive in order to make it rational for the first generation to start the savings process necessary for economic growth.[2] In this brilliantly written chapter Axel Gosseries typically does not "solve" the dilemma, but takes the reader through a series of twists and turns of the argument, and presents the reader with a number of reasons that make it plausible to combine the egalitarian intuition with the growth-theoretic need. A consequentionalist egalitarian, for instance, could accept the fact that the maximin or by extension the leximin rule is violated, but insist that this violation is necessary in order to have the necessary institutions in place that guarantee the application of the maximin rule in the long run. Or one could follow Przeworski's two-step argument

[2] In *A Theory of Justice*, as well as in this book, the treatment of this problem is intimately linked to the neo-classical Solowian growth model. In this highly abstract model the first generation is necessarily also the poorest, which presents the egalitarian with a puzzle. A second characteristic of this model is that there are two phases, a growth phase in which capital formation is necessary, and a steady state phase in which capital replacement is the only necessity. This determines at the same time a moral problem, where one needs to sort out the question in what phase we really are at this moment, for this will determine the just savings rate.

which states that (1) democratic institutions are the best guarantee of respect of basic rights, and (2) that you need a certain material wealth in order to install the basic democratic structures.[3] Prudence could also be an argument for saving, even when you find yourself in a comfortable steady state situation. At the same time Gosseries argues that in the steady state situation there should be neither saving nor dissaving and that any surplus should immediately be transferred to the present poor.[4] In the end the reader is confronted with a number of reflections that extend the problem, deepen it and indicate directions that one could take in order to find a just answer. This technique is even more apparent in the last chapter where the author aims for an "application" of his ideas about intergenerational justice. Two problems are discussed: biodiversity (probably the weakest part of the book) and pension reform (again highly interesting). The word "application" should not be taken too literally, for there is no clear-cut theoretical position that could easily be applied; there is only a clear cut liberal-egalitarian intuition that remains the point of reference for any argument. Illustrative is for instance the original way in which the issue of bio-diversity is linked to Ronald Dworkin's argument for subsidising opera. Cultural diversity is important for Dworkin because it deepens the set of opportunities for personal development for generations to come. Likewise bio-diversity would offer a broader set of development possibilities for future generations. Gosseries expands this analogy (which would probably frighten almost all conservationists), however without losing sight of its limits. It is simply an interesting different way of looking at this problem, which opens up unforeseen roads of defending bio-diversity – without, of course, providing a conclusive end to the discussion.

In the end, this could be looked upon as a weakness of the book: there are no clear-cut answers, only reflections and a deepening of the problem. But that criticism is tackled in the conclusion where Gosseries helps the reader identify the main points of his book. They read as follows: non-identity is to be taken serious as a moral argument in any ethical discussion in which it is relevant (this might seem self-evident in England, but is not so in France); indirect reciprocity rules between generations; it is impossible to evaluate a theory without confronting it with a practical problem (ethics is essentially applied ethics or it is no good); intergenerational justice is a

[3] Where this leaves the relation between democracy and the maximin rule however remains unclear. A. Przeworski, Democracy as an equilibrium, non-published manuscript. See also A. Gosseries, *Penser la justice entre generations* (218–21).

[4] This could easily be disputed by a consequentionalist egalitarian (economist). If there are serious needs left, it means that economic growth (the best remedy for poverty in the long run) is still necessary and so savings should rise.

nexus point for many ethical problems and there are numerous issues begging for an answer.[5] According to Rawls, intergenerational justice problems are a test case for any moral theory. This is also the opinion of Gosseries. Intergenerational justice combines the despair of the mother of Nicolas Perruche, the anger of the pensioner who loses his rights, as well as the lifelong struggle of the conservationist. This book offers an excellent start to help us develop a more coherent moral theory of intergenerational justice, and though it is laudable and important that it is written in French, I sincerely hope that an English translation will follow.

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Happiness: Lessons from a New Science, Richard Layard. Allen Lane, 2005, ix + 310 pages.

The basic thesis of Richard Layard's book on happiness is that although people in the West and in Japan have become substantially better off in money terms over the last 50 years, the survey evidence suggests that they have become no happier. Therefore, conventional economic wisdom of relating the development of a country's "welfare" to the growth of its gross domestic product (GDP) is flawed, at least in the context of the developed world. Following this initial, seemingly quite reasonable assertion, the book is broadly divided into two parts. Part 1 is an attempt to outline the factors that affect people's happiness. In addition to genetic factors, Layard identifies "the big seven" external factors – family relationships, financial situation, work, community and friends, health, personal freedom and personal values.[6] Part 2 discusses a range of public policy measures and personal practices which, according to Layard, would help people lead happier lives.

It is not difficult to deduce from the above sentences that Layard considers himself to be a utilitarian. It is clear when reading the book

[5] To mention just one: the relation between parents and children. Suppose we endogenize the preferences of the children as a consequence of our education-formation process, what does this imply for our education system looked upon from an intergenerational justice perspective?

[6] At least a few of these factors are melodiously summarised in the chorus of Louis Armstrong's *Hello Brother* (1996).

that Jeremy Bentham is his intellectual hero, and that he seems to believe, as detailed in Chapter 8, that "the greatest happiness" is *the* goal of any society. Since all else in the book is meant to flow from his philosophical standpoint, a brief dissection of his philosophy will form the first half of this review.

The greatest happiness?

Layard believes that in order to avoid inconsistency across actions, all laws, and all rules of morality, must be based on a single underlying principle. He further believes, in agreement with Bentham, that the underlying principle ought to be "the greatest happiness"; i.e. that the right action is that which produces the greatest overall happiness. He attaches such importance to happiness because he thinks that it is of "intrinsic" rather than merely "instrumental" worth. That is, if you ask someone why they like chocolate, they may say that it tastes good, and if you then ask them what is so great about it tasting good, they may say that food that tastes good makes them happy. If you then ask them what is so good about being happy, they will be at a loss to find a reason: it is good in itself. Happiness, according to Layard, is a self-evident good.

The greatest happiness principle can be challenged from at least two directions. First, do people really want to maximise their happiness via their own personal decisions? Second, ought the maximisation of happiness be the motivation for public policy decisions, where there will invariably be winners and losers? Of course, both of these questions have long been debated in philosophy. For instance, do people maximise their own personal happiness when they choose to tell the truth, or keep a promise? Layard implies that they do; non-utilitarians, I suspect, will be less convinced that people always wish to maximise happiness, and may be more likely to believe that many people adhere to "lexicographic" rules to guide their acts. For example, for many people, the act of maximising their own personal happiness may only be pursued insofar that it does not entail them breaking a promise: promise keeping "trumps" personal happiness.[7] However, a more important point, at least for someone trying to address questions from the perspective of public policy, is to question the tendency amongst consequentialist thinkers to conflate the ethical objectives of "personal" and "social" decision-making in their search for a single underlying principle.

Consider the following hypothetical thought experiment. Ask yourself if you would prefer: (A) a reasonably content life; or (B) a life that is reasonably content for most of the time, but is interspersed by periods

[7] An example of people perhaps consciously behaving in a manner that does not increase their happiness lies in their "appreciation" of art that challenges their preconceptions, or in their (occasional) preference for movies that do not have happy endings.

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of great happiness. It seems fairly uncontroversial to assume that most people will choose (B) over (A); i.e. that in this particular circumstance, personal choice will be consistent with that predicted by utilitarianism.

Now imagine that two people require a liver transplant operation without which they will certainly die within the next few days. The two people are identical in every respect, other than that one of them has a greater capacity to experience happiness than the other. If the two people were to live, their life prospects can respectively be summarised as those given under (A) and (B) above. Assume that the health care planner has only one available liver, and thus can save only one of the two people. The options that the planner therefore faces are to allocate it to (A), to (B), or to choose through some random device (e.g. by tossing a coin). If life (B) generates more utility than life (A), which, purely on the basis of the limited information that the planner has, appears to be the case, then utilitarianism would prescribe that the liver be allocated to patient (B). In this case, however, would everyone, or even most people, support this allocation rule? The answer would of course have to be elicited through empirical investigation, but it is at least plausible that a great many people would prefer the liver to be allocated randomly.[8] If such preferences were observed in this particular context, they would be motivated by arguments relating to equal access to life-saving interventions, or equal rights to life, for people who do not differ in *relevant* attributes, rather than utilitarian or other consequentialist-based arguments.[9] In short, the appropriate normative principle for any particular person or society may quite reasonably be consequentialist *or* deontological (i.e. there may be no single underlying principle), depending, for example, on whether the decision task involves only winners,[10] or involves winners *and* losers.[11] At several points in the book, Layard warns against the dangers of

[8] Using identically described lives for (A) and (B), I asked a group of health care policy specialists whether they would vote for (A), (B) or choose randomly if told that they could vote to free one of two innocent people currently placed on death row. Of the 22 people who responded, 15 said they would choose randomly, 4 said they would choose person (B) (principally because they thought that a happier person would be more likely to spread happiness to others), and 3 said that they would not partake in such a repugnant process. Whilst very little weight should be attached to the results of this unpublished "survey," it does perhaps demonstrate that, at least in some circumstances, a substantial proportion of people hold preferences that are not consistent with utilitarianism.

[9] A school of thought within the sub-discipline of health economics maintains that "health" is the only relevant outcome of health care, and thus represents a consequentialist approach that is far "narrower" than welfarism or utilitarianism. Within the field of health economics, adherents to the "health" approach refer to themselves, somewhat misleadingly, as extra-welfarists.

[10] I.e. a choice between two or more "goods" for the same person or the same group of people.

[11] I.e. a choice between two or more "goods" for different people or different groups of people.

paternalism in moral codes that rival the greatest happiness principle, but it certainly seems paternalistic to assume that the maximisation of happiness ought to be the accepted code in all circumstances.

Where Layard does discuss the issue of rights, he argues that the constitution or laws have to be justified by the greatest happiness principle. Indeed, at several places in the book, he argues that the greatest happiness principle is fundamental to the American Declaration of Independence, a claim that is, at the very least, contestable. The American Declaration of Independence calls for life, liberty and the *pursuit* of happiness; that is, it is a system of rights that was framed with the intention (in theory) of providing and protecting the *opportunity* (or, at least, an equitable opportunity) for the individual to seek happiness if he so desires. It says nothing about the state interfering to attempt to maximise happiness, and it allows individuals to make decisions that are not consistent with increasing their own happiness if they so wish. Many of us may argue that rights ought to be justified according to securing equity of opportunity for those whose capacities for happiness may differ, rather than according to the greatest happiness principle. As the hypothetical liver transplant example given above hopefully illustrates, rights and outcomes-maximisation may often push in opposite directions, and this tension has been a fundamental concern in political philosophy since the Enlightenment (Shapiro 2003). In short, we ought not to assume that rights are only relevant if they serve the greatest happiness principle; they are a separate entity, and as argued earlier, they may for many of us lead to different decisions that take precedence over outcomes-based arguments.

Layard attempts at times to "mould" arguments that have traditionally been waged against utilitarianism to fit into his framework, which I personally found quite confusing. For instance, he suggests that classical utilitarianism can respond to the "standard" argument waged against it – i.e. that it allows slavery – by simply maintaining that slavery is wrong because it offends people's feelings. This is not a strong argument: under the greatest happiness principle, slavery would be allowed if the happiness derived by (a) the slave owners and (b) the slavery-supporting sub-sector of society exceeds in magnitude the unhappiness of (c) the slaves and (d) the slavery-opposing sub-sector of society. The likelihood that the happiness equation will produce this result in reality is irrelevant. A stronger argument against slavery is to maintain that it is unethical for one human being to be the property of another; i.e. that an individual's right to determine his/her own destiny, subject to him/her not deliberately setting out to harm others, ought to take precedence over consequence-maximising arguments.

Moreover, on p. 116 Layard uses the veil of ignorance, the approach perhaps most famously developed by that arch-critic of utilitarianism, John Rawls (1972), to argue that the impartial spectator would judge outcomes in terms of the total happiness of all those affected, and yet on page 122 he contends that we should apply "weights" to changes in happiness that differ according to the level of happiness that people are currently experiencing. His motivation for suggesting these weights is that he considers it more important to relieve suffering than generate extreme happiness. Whilst the attention attached to relieving suffering may be persuasive to many (including myself, principally because it would suggest an orientation towards a more equitable distribution of opportunities), Layard gives little indication of how these weights are to be derived, and he fails to realise that the application of such weights might possibly be fatal to the greatest happiness principle. Maximising happiness and minimising suffering are different principles that might call for quite different policy responses, because it may feasibly be easier to produce more happiness from a fixed budget by directing available resources towards those who are already relatively happy, rather than towards those who are relatively miserable.[12]

The reason why Layard has to try to squeeze several anomalies into his preferred theory is because most people – including Layard himself – would not accept an unadulterated form of the greatest happiness principle as a single underlying principle on which to base public policy. However, neither denying the importance of rights that do not serve the greatest happiness principle, nor altering the principle so as to place a heavier emphasis on relieving suffering offer convincing defenses of the principle. Nonetheless, a great many people will remain committed utilitarians, and even for those of us who aren't, the ability to measure happiness may in many circumstances be a useful policy tool. Layard attaches great weight to developments in neuroscience in this regard.

Measuring happiness

By the end of the nineteenth century, the measurement of interpersonal cardinal utility was generally thought to be impossible, which is why utilitarianism fell out of favor at that time. Layard argues that developments in neuroscience, whereby self-reported measures of happiness and exposure to pictures depicting various pleasing or distressing images are correlated with particular movements in the forebrain, offers new opportunities for accurate measurement of interpersonal utility. Specifically, activity in the left (right) side of the forebrain has been found to correlate with happy (unhappy) reports and stimuli, confirming, according to Layard, the objective character of happiness and pain. However, whilst these scientific developments *might* offer an indication

[12] Layard's book applies only to the developed world. If we were really serious about relieving suffering on a global level, our attention ought to be directed elsewhere.

of movements in ordinal utility within a single individual, it is not clear that they offer an indication of utility that is either interpersonal or cardinal. For instance, it is not proven that two persons who experience exactly the same activity in their left forebrain at any particular moment in time are experiencing exactly the same degree of happiness, and nor has a self-reported measurement technique yet been developed that accurately elicits people's strengths of happiness for different "goods." Consequently, it is not possible to deduce that a particular increase in brain activity leads to an x% increase in happiness, because all currently available utility elicitation instruments are subject to methodological and empirical flaws that seriously undermine any claim that they can produce "values" that accurately reflect strength of "feeling."[13] Thus, although at this point in time the neuroscientific evidence *might* help us to confirm changes in ordinal utility for a single individual (or, at best and with caution, a group of individuals), it is not sufficiently developed to enable us to calculate the results of trade-offs between the happiness and the unhappiness experienced by different groups of individuals and so derive an accurate measure of "net" happiness (assuming for the moment that one were to accept the greatest happiness principle). Yet such trade-offs would inevitably occur as a result of many public policy decisions.

The neuroscientific evidence might be used to highlight a further problem with the greatest happiness principle, in that it may confirm that some people are genetically more prone to increasing their (un)happiness than others. That is, some of us may have a relatively highly active right side forebrain, and some of us a relatively highly active left side, and the differences may have developed in order to improve the chances of the survival of our species. Moreover, might it be the case that the capacity for happiness differs by other biologically defined group distinctions, such as those given by gender or race? If this is the case, then the greatest happiness principle may lead to the *systematic* prioritisation of particular individuals or groups of individuals in public policy decision-making, which could have potentially profound, and quite obnoxious, implications in areas such as health care and education, and would undermine Layard's claim that utilitarianism is "fair" because everyone is considered equally important. In short, if the capacity for happiness is substantively genetically determined, then is this factor so very different from using, for example, eye or skin color to help governments decide who should be the principal beneficiaries of their policies?

[13] For a very basic discussion of this issue with respect to the utility elicitation instruments most commonly used within the field of health economics, see Oliver (2003).

Despite the developments in neuroscience,[14] we appear to remain very far from an accurate measure of interpersonal cardinal utility. Nonetheless, Layard remains committed to the idea that attempting to improve the happiness of society is of profound importance, and suggests a number of policies that he believes would help bring this about.

Policy implications

Layard advocates a large number of public policy and personal measures in order to create happier societies, of which I shall touch very briefly on just a few in this final section. His proposals largely relate to "the big seven" external factors that he argues affect happiness, listed in the opening paragraph of this review. Many of his measures do not appear explicitly to involve trade-offs across individuals, and thus the problem of violating rights that may, for many, trump the greatest happiness principle remains somewhat "hidden." Unfortunately, in reality, the question of winners and losers very often cannot be avoided in public policy decisions.

Layard argues that people adapt to new material possessions rather quickly, and, unlike friendships, these therefore fail to increase our happiness in the long term. He thus suggests that people ought to divert their attention more towards positive features of their lives to which they do not so easily adapt. However, he does not discuss the possibility that people, particularly in developed countries, might require new material possessions in order to *maintain* their happiness;[15] i.e. that if people now had the same material possessions as they did in the 1950s, their happiness, all other things being equal, may have declined quite markedly. Similarly, although Layard concludes that, beyond a particular level, income does little to produce a happier society, might it not be the case that over the last 50 years higher incomes have compensated to some extent for all the things that have gone "wrong" (e.g. higher crime and divorce rates)? Related to the general issue of material goods, Layard also makes the seemingly quite sensible (albeit thus far unevaluated) suggestion that all societies adopt the Swedish practice of banning commercial advertising aimed at

[14] On the basis of the evidence given in Layard's book, there still appears much to learn about how brain activity might affect us. For instance, is too much activity, or activity that exceeds a particular length of time – either in the left or right side of the forebrain – bad for us? Does the activity within either the left or right side react in complex ways, depending on the stimuli? Does *declining* activity on the left side correlate with declining happiness, or increasing unhappiness?

[15] Nor does he discuss the possibility that the measurement of happiness in developed countries with the use of current self-reported survey methods may have more or less hit a ceiling, in that there may not be much "room" within the construct of the questions used in these surveys to increase population happiness much above that currently observed (after all, a certain percentage of the population are always likely to report that they are not particularly happy).

children under the age of 12, as an attempt at reducing (i) the gap between expectations and reality among children (which can breed unhappiness), and (ii) the consequent pressure that parents feel from the "consumerist" demands of their offspring.

Advertising may cause individuals to compare what they have with some "ideal," but the sense of an ideal that we have not realised can also be caused by our comparing ourselves with others who are better off. These comparisons, according to Layard, can be very damaging to happiness, and thus he suggests that if we must compare ourselves to others, we ought to compare ourselves with those who are worse off. This is, of course, easier said than done, and may be contrary to human nature. It is perhaps instructive to note that Layard's book is, in itself, comparative; for instance, at many points in the book he uses Sweden as a "best case" scenario, highlighting the high degree of mutual respect among the citizens of that country. If he had adopted his own recommendation, by using a comparator country that is a little less "ideal," one might ask oneself the question of whether he would have concluded that things are quite so bad in, for instance, the US and the UK.

Layard rightly emphasises the important influence of mental illness on general levels of suffering in all societies, and also rightly calls for more attention and resources to be directed towards this general problem.[16] However, a word of caution should perhaps be raised against his enthusiastic support for the greater use of pharmaceuticals in this therapeutic area. For instance, one ought to remember that the main motivation for the global pharmaceutical industry is the generation of profits, and that the promotion of anti-psychotics – particularly amongst those with early symptoms that may not actually require pharmaceutical intervention, and given the knowledge that many of the newer pharmaceuticals have very severe, sometimes life-threatening side effects – ought to be guarded against.

Layard makes many other policy and personal recommendations in relation to, for example, caring for others beyond our own immediate family and friends (on which Layard places great emphasis), trust in the community (another strongly highlighted consideration in the book), broken families, violence and other issues. He even develops a new school curriculum that he thinks would help towards alleviating some of the problems that societies are experiencing in relation to these issues, but I will leave this to the interested reader to follow up. Readers of Layard's book will also be entertained by the cartoons and quotations that begin each chapter, including one from Woody Allen ("Money is better than poverty,

[16] Many of us may feel that the philosophical motivation for tackling mental illness may (again) be less to do with maximising happiness, and more to do with promoting greater equity of opportunity to live a fulfilling life.

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if only for financial reasons"). Allen also said that intellectuals "are like the mafia: they only kill their own" (Sunshine 1993). I hope I won't be accused of attempting that in this review, but as will be clear, I remain sceptical (perhaps even more so after reading this book) of whether utilitarianism ought to be the single underlying principle guiding policy and personal actions and indeed, whether there ought to be a single underlying principle at all. And even if it were, I remain doubtful about whether it can be operationalised for practical use and assessment. At the end of his preface, Layard writes that, if nothing else, he hopes his book creates a bit more happiness. For me, it did not, but then, the expectation that it would make me happier was not why I read it.

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The Economy of Esteem: An Essay on Civil and Political Society, Geoffrey Brennan and Philip Pettit. Oxford University Press, 2004, 339 pp.

This book is an attempt to introduce esteem and disesteem into the conceptual toolbox of economic theory, thereby enlarging the arsenal of psychological assumptions available to explain social behavior. Resulting from the intellectual cooperation between a philosopher and an economist, *The Economy of Esteem* provides a rigorous conceptual framework to account for a wealth of phenomena: the emergence of norms, the dynamics of group formation, the organization of fame and infamy, the logic of discrimination and the development of counter-cultural trends. The book also has interesting things to say about normative issues: how esteem should be manipulated in order to enhance virtuous behavior or at least to reduce the proliferation of certain kinds of antisocial practices.

According to Brennan and Pettit, attitudes like holding someone in esteem are economically significant factors in the organization of aggregate social phenomena. This claim implies an important departure from the traditional way of theorising. From the very beginning of economics as an independent science, esteem and virtue have been considered explanatorily irrelevant assumptions with low predictive power: they were regarded as shaky foundations for a rigorous and mature social science. Brennan and Pettit's book challenges this interpretation. The authors argue that the notion of esteem provides robust, systematic information about many different constellations of collective behavior.

This book has two main objectives. The first objective is to show that a true economy of esteem is *possible*. The second aim of the book is to unravel the basic ingredients of this economy in order to *explain* some specific set of social phenomena and eventually to *guide* social policy.

Let us take each issue in turn. Brennan and Pettit claim that an economy of esteem is *possible*. This means at least that esteem can be *effectively* demanded and supplied. The main threat to this claim comes from what is known as the teleological paradox: the fact that demanding or supplying esteem is a self-defeating or even an incoherent task. The fact of esteeming or not esteeming someone cannot be the result of *choice*: I cannot *decide* to give you esteem. Esteem is an attitude that can only arise out of unintentional causal processes. In this respect esteem is akin to notions like spontaneity. If esteem cannot be demanded or supplied, then the possibility of a true economy of esteem evaporates.

Brennan and Pettit concede that esteem is a *potential* target for the teleological paradox – especially on the supply-side – but they deny the scope of the damage this can wreak to the project they have in mind. First of all, the teleological paradox will not affect people *seeking* esteem for virtuoso – rather than virtuous – performance: if I am an outstanding pianist, the fact of intentionally seeking to obtain your esteem is not counterproductive. It should be said, however, that *supplying*, rather than demanding, esteem for virtuoso performances can still be threatened by the teleological paradox.

Further, even if esteem *attitudes* cannot be exchanged, esteem *services* can. This means that esteem can be *behaviorally* exploited: if I am an established scholar and you a junior one, I can raise the probability of you enjoying esteem by giving attention to your work or speaking publicly about your merits. On your side you will testify to my generosity toward junior scholars. Even if this kind of mutual exchange of esteem services could easily lead to insincerity, making the whole system rather fragile, there is no principled reason to exclude it from theoretical scrutiny.

Crucially, Brennan and Pettit claim that esteem can still play an important role as a *virtual*, rather than as an actual factor: it explains the *resilience* of some sorts of behavior across a wide range of possible worlds. The authors argue that esteem provides a *background* motivation that is triggered only when a given threshold is obtained. The actual cause of my giving blood is my desire to help fellow human beings. My behavior certainly satisfies my desire for esteem, but it is not the searching of

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esteem that *causally* motivates my blood-giving behavior. Esteem will correct potential departures from original behavior, making some kind of behavioral patterns *impervious* to contingencies and perturbations. Virtual explanations explain the stability of behavior across different contexts and environments: they account for the *canalization* of global patterns.

This is an exciting theoretical proposal that certainly sheds light on many interesting aspects of social explanation at large, not only on those strictly related to the economy of esteem. However, it is somewhat unclear to me whether the recourse to virtual explanation will help us avoid the teleological paradox. The problem is that if we suppose that searching for esteem is self-defeating, then it will be unable to play the correcting role that characterizes virtual explanations: re-equilibrating a disturbed system requires putting in place true *causal* mechanisms. The only way a system can be steered towards correction is by way of an *actual* causal process. But here is precisely where the teleological paradox seems to exclude attitudes like esteem from the set of causal resources available to accomplish this correcting task: the ghost of the teleological paradox will arise each time esteem is triggered in order to avoid behavioral departures.

As stated earlier, the second strand of the book explores how the economy of esteem is organized and eventually how our understanding of it can contribute to guiding social intervention. What we really want to know is whether esteem has *systematic effects* on the form and organization of high-level social patterns of behavior. Brennan and Pettit investigate a wide range of situations that can be clarified using esteem-based tools. Let us mention a couple of particularly striking examples.

The first interesting issue here concerns the account of norms. Norms are regularities that are generally approved by the population at large or by a sub-set of the population. Occasionally social norms are beneficial for the group but highly burdensome to the individual. This raises two kinds of problems that are endemic in collective interaction contexts. The first one is the *enforcement problem*: once a norm is established within a given population, the enforcement of this norm is in itself a collective good. Given that punishment is costly, nobody will have the incentive to punish violators of the norm. The second one is the *detection problem*: whenever an agent's behavior escapes the attention of the supposed sanctioner's, both punishments and rewards become less effective. Mainstream social sciences have provided different models attempting to provide understanding of these two pervasive aspects of social behaviors. One of the most suggestive claims of Brennan and Pettit's book is that the economy of esteem can shed some light on both of these issues.

Let us start by the enforcement problem. The thought is this one: while action-based punishment is somewhat costly, disapproving attitudes are not. They are generated somewhat *automatically* each time we are observing non-compliance. The notion of disapproval here is just attitudinal, not behavioral: while *expressing* attitudes of disapproval could be costly, just *experiencing* disesteem for someone's action is a causal process that cannot be accounted for in intentional terms. The idea is then that people will police each other's behavior by *unintentionally* forming disfavorable opinions of violators. If violators care about the opinion of others, then the purely *reactive* formation of unfavorable impressions will be a powerful deterrent.

But this attitude-based economy is also relevant in moderating the effects raised by the detection problem. In those environments where the probability of being detected is low, the deterrent effects of both punishments and rewards are radically undermined. The invisible hand seems to be unable to cope with these kinds of problems. Brennan and Pettit claim that the intangible hand of esteem can, however, reduce the impact of this problem, moderating some of its consequences. Within the intangible hand framework, both sanctions and rewards are *sensitive* to the context in which the behavior is taking place. As the *transparency* of the context decreases, the rewards for behaving correctly and the punishment for behaving badly will both increase. We are prone to give more esteem to those individuals that have done good things in contexts where the possible identification of their actions is lower. By fine-tuning rewards and punishments in a context-sensitive way, the intangible hand will be highly discriminative in a way that the invisible hand cannot be.

The second interesting issue concerns the dynamics of group formation. Sometimes individuals increase their esteem by being members of some important or prestigious associations. How are these associations formed? Brennan and Pettit claim that the economy of esteem is able to account for the general properties of these associations in much the same way as traditional economic theory explains the emergence of business firms. These general associations function as reputation-pooling devices: any Nobel Laureate will receive an extra quota of esteem derived from the simple fact of being associated with other famous winners. The underlying logic of these institutions is straightforward: each member has a direct audience that will spill esteem over the whole group as soon as that member is admitted. As membership increases, other things being equal, so does audience size. Obviously this is not the only influential factor critical to the formation of voluntary associations because it alone is unable to explain the hierarchical format of most of these associations. In order to account for the highly stratified organization of these groups, it is necessary to take into account performance quality. Whenever a given association is being too flexible in the admission of new members, top performers will use their veto or even leave the association. This implies that there are strong pressures toward the consolidation of a vertical organizational structure where the best performers cluster at the top.

Esteem-based groups have also a distinctive feature: they are able to moderate the effects of free-riding. Associations contribute in solving the teleological paradox: by dissociating my own promotion from the promotion of the group to which I belong to, I can increase my own share of esteem by increasing the esteem in which the whole group is held. The collective strategy – praising the excellence of the group – could be more attractive than the individual one – praising the excellence of my own performance. This feature of esteem-based association could encourage the formation of groups even when reputation-pooling is absent.

Before concluding this short review, I would like to make a brief comment on the social policy implications of this text. An extremely important consequence of the research developed in this book is that forgetting to take into account esteem-related assumptions may lead us to commit dramatic mistakes at the moment of implementing programs of social intervention. The central ideal is that social intervention should avoid crowding-out virtuous behavior. Designing institutions under the assumption that people are knaves requiring external control could trigger calculating behaviors, driving out virtuous ones. Esteem-based social policy should exploit original virtuous *predispositions*, removing the obstacles that block its expansion. By *obscuring* virtuous motivations, traditional invisible-hand institutional design could trigger and reinforce precisely the very anti-social behaviors it wants to eradicate.

Brennan and Pettit describe multiple *local* mechanisms that can be mobilized to enhance virtuous behavior. A very interesting example is the mechanism of publicity. While low performers will seek low level of publicity, great achievers will seek high publicity and exposition. Interestingly, publicity will sometimes need to be exogenously enforced because both low and high performers would be reluctant – although for different reasons – to enforce rules of transparency. Low performers will avoid publicity just to keep their poor performance as hidden as possible, blocking possible sources of disesteem. High-performers, on the other hand, could be unable to enforce publicity rules just because by doing so they could also raise criticisms of arrogance. If I am an outstanding researcher with an excellent publication record, the act of *unilaterally* distributing my curriculum vitae within my academic department will probably trigger disesteem, rather than esteem. Nothing like this will happen, if the norm requiring periodic circulation of academic achievement by all faculty members is *exogenously* enforced by the authorities of the university.

But publicity could deliver counterproductive effects if given without precautions. Brennan and Pettit take the example of criminal convictions as studied by Braithwaite (1989). Giving unbalanced publicity to the ignominious behavior of convicts could certainly deter other people from crime, but at the same time could radically diminish the possibility of those already convicted of improving their own behavior: knowing that their own positive behavior will not be given the chance of being noticed and esteemed according to its merit, they will not seek to rehabilitate themselves. Ignominy will have powerful deterrent effects, but weak rehabilitative ones. Under certain conditions publicity could increase the propensity to reoffend.

Manipulating publicity is then an important way to exploit the economy of esteem. People are definitively sensitive not only to what others *do* to them, but also to what others *think* about them. For this reason it is crucial to know the content of current attitudes. Whenever the relevant attitudes of the population are unknown or mistakenly identified, important shortcomings could arise. A crucial task for social policy is then to increase *information* about existing norms, making content and scope explicit.

Brennan and Pettit's book raises a great number of questions of both theoretical and empirical importance. In this review I have attempted to provide the general flavour of the argument discussed in *The Economy of Esteem*, focusing on those aspects that seem to deal with more philosophically significant issues. Many other interesting aspects of the book unfortunately lie outside this short presentation. Innovative and illuminating, this book is an interesting contribution to philosophically inspired social sciences.

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