REVIEWS

Adam Smith and the Virtues of Enlightenment, Charles L. Griswold, Jr. Cambridge University Press, 1999, xiv + 412 pages.

Books about Adam Smith appear every year, but most are about Smith the political economist. This recent book is somewhat different from its cohort in that it treats Smith first and foremost as a moral philosopher, with an emphasis on his indebtedness to Plato, Aristotle and the Stoics. Charles Griswold also weaves in references to contemporary moral theorists – Alistair McIntyre, Charles Taylor, Thomas Nagel and Martha Nussbaum – to name just a few. Erudition springs from almost every page. I can think of no other Smith scholar who has come to terms with his moral philosophy with such depth and confidence. True, in many respects Griswold's main thesis is not at all original. Smith's political economy is but part of a broader theory of moral philosophy and jurisprudence. Griswold believes, like so many before him, that Smith intended his published works to form a coherent whole; *das Adam Smith problem* is a pseudo-problem. But it is the sophisticated and subtle fashion by which Griswold slays this recurrent beast that makes the book stand out. Look to the footnotes and digressions, as well as the polished articulations of Smith's ideas.

Professor Griswold has an eye for Smithean metaphor and rhetoric. A lengthy passage explores his use of theatrical imagery, another his many references to nature and the natural. Life is more like a play acted on the stage, a *theatrum mundi.* Even nature is a spectacle, which induces our constant awe and admiration. But, as Smith notes in his essay on 'The History of Astronomy', in contrast to the machinery of the opera-house which one can fully comprehend by going backstage, there is no easy access to the operations of nature. Nevertheless, by drawing so many analogies between nature and the theatre, Smith reinforced our primary efforts as spectators, impartial or otherwise. Our aim is to achieve a detached understanding of all things, the 'cold esteem' with

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which we hold our own selves accountable, as well as that of others and the world at large.

Like Vivienne Brown, Griswold emphasizes the role of dialogue in Smith's two books; the many voices, as she put it. But Griswold is not persuaded by her decision to forgo the assumption of authorial integrity. For him, there is a single Adam Smith, however polyphonic. Smith was born the year J. S. Bach composed the Saint John Passion; the degree of counterpoint in Smith's textual discourse is not accidental. The question Griswold asks and partially answers, is why Smith did not write a proper dialogue. The medium was still in vogue as we well know in the case of George Berkeley and (posthumously) David Hume. The answer lies in the fact that Smith wished to train us to think dialogically, and that this was best done in a more abstract fashion, of the 'we' and the 'I'. This helps to develop our moral faculties of sympathy, and circumvents the distance that results in the case of a play or dialogue with named characters. We are conscious of ourselves as actors, and thus can cultivate that highest of all virtues, self-command. As we develop our own rapport with our internal impartial spectator, we learn too to place ourselves all the more in the shoes of others. Sympathy is much more prevalent than one might think at first glance.

Nevertheless, as Griswold explores, there must be upper bounds to these acts of transference. We sympathize with the victim of torture, stretched out upon the rack. And we readily sympathize with those who have recently lost a parent. But the path to wisdom is less trodden than the path to wealth, precisely because we can more easily display our wealth than our wisdom, and thus garner more readily the approval and hence sympathy of others. There are, then, significant asymmetries to our ability to understand the acts of others. We sympathize with the rich, not the poor. But Griswold suggests that even this might have a limiting case. Perhaps, he suggests, only billionaires can sympathize with others in the same league? Can we sympathize, he asks, with the sufferings of concentration guards in Nazi Germany (a recent novel, Bernhard Schlink's *The Reader*, suggests that we might do even that). Infected by Smith's many contrasts and comparisons, Griswold points the way to reifying community boundaries at many levels. Political philosophers of a communitarian bent might well find much ammunition in Adam Smith.

Griswold develops Smith's appreciation of moral education, which rightfully begins with the young child. Smith disliked the practice of boarding schools, arguing that it was the parent above all who inculcated the capacity to sympathize and to listen to one's impartial spectator. But as Smith tells us in the opening passages of the *Theory of Moral Sentiments* (1756), even the most hardened criminal is capable of sympathy. It is a sentiment that comes readily to us, regardless of education or ethical

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integrity. Nevertheless, Griswold suggests, Smith is an exponent of 'sophisticated emotivism', whereby we can refine and cultivate our moral intuitions and sentiments so that they operate smoothly and fit in more harmoniously with the world as we find it. The passions are true and just in themselves, and thus serve as the best guides for moral judgement. The person who has achieved full virtue has passions that are rightfully balanced. Life can thus be led with a degree of spontaneity, a trait Smith values considerably.

For someone who never married nor bore children, Smith is oddly enthusiastic about the importance of love. It is, Griswold emphasizes, at the center of Smith's moral philosophy. Smith analyzes in some detail the love of two adults, the love of a mother and child, and the love of wisdom, beauty, and nature. He also refers to more unusual types of love, the love of system, or ease, and of domination. For this and other reasons, Griswold argues, Smith is not a moral skeptic. We are truly capable of deep compassion, and of transcending self-interest. There is considerable harmony in the moral universe. Even in the case of something as reprehensible as slavery, Smith insists that the Africans have much surpassed their captors in terms of courage and dignity.

Smith's writings are rife with paradox, as Griswold acknowledges. For all the importance of wealth, it is at bottom a hollow dream. 'For to what purpose is all the toil and bustle of this world? What is the end of avarice and ambition, of the pursuit of wealth, of power, and preeminence? ... Do they imagine that their stomach is better, or their sleep sounder in a palace than in a cottage? The contrary has been so often observed' (Smith 1976a, p. 79). And yet, while Smith echoes the Stoic's message that happiness is unrelated to material well-being, in the aggregate, it is. As he underscores in Book One of the *Wealth of Nations*, 'no society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable' (Smith 1976b, p. 96). The crux of the matter is distributive justice, and Griswold examines this theme in some detail. Given that Smith had his manuscript on the subject burnt shortly before his death, we will never know the entire picture, but Griswold tries to reconstruct what might have been the case. Certainly, as others have noted, there was an unprecedented appreciation for the commoner. Even the lowly street porter is at bottom no different than the philosopher. But Smith is also very wedded to the existence of social ranks, and his thought experiment involving the invisible hand maintains that even in the case of an equal distribution of income, ranks and income differentials would soon be restored.

One paradox that Smith identifies is that between our constant efforts to better our condition, which leaves us permanently dissatisfied, and the quest for tranquillity of mind. We are, Smith suggests, peculiar creatures insofar as we toil long and hard for what amounts to very little.

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To better our condition on a continuous basis is an arduous process, one that must ultimately undermine our efforts at moral improvement. What is not made clear is why we seek the approval of others so fervently. It may simply be the folly of the gods, to make us act out for one another, for their amusement, when ultimately little is accomplished. Smith so often notes the various kinds of illusion and deception that enter into all facets of our lives. Whether in our conjugal relations, our political systems, our commercial interactions, even in our cultivation of art and science, there is illusion and deception. Griswold explores this theme in some detail, noting the connections to the theatrical imagery, as well as tracing it back to the Greeks. The debt to Bernard Mandeville, however, is greater than Griswold allows. Even Smith's stand on sympathy can be seen as deeply rooted in envy; our need for the approval of others is *de facto* about the need to be like others.

Our two conflicting goals, material aggrandizement and mental security, have political dimensions as well. The first is what drives us to augment our wealth, and thus bring about national stability for the sake of trade and commerce; the latter is what Hobbes identified as the point of departure for authoritative rule. The two paths tend to diverge, one toward liberty, the other toward totalitarian rule. Smith also stressed how fleeting is the state of true happiness, where one's material striving might coincide with peace of mind. Remember that the beggar sleeps more soundly than the king, and that the lowliest peasant has all the material goods one truly needs. Those in the middling station of life fare best, but even they succumb to the allure of wealth and strive for more. To make things even worse, Smith recognized that often, upon gaining happiness, we feel unworthy of such a state and resist it. We are, in short, anxious creatures, destined to prolonged bouts of discontentment.

This darker side of Smith, who often strikes one as relatively effusive compared to say Hume or Kant, is somewhat compensated by his appreciation for beauty and harmony. Neil De Marchi and Hans Van Miegroet have recently brought to our attention Smith's acquaintance with and appreciation of Joshua Reynolds, the English painter. Griswold suggests that music played a central role in Smith's thinking and notes the many references to harmony, counterpoint, order and rhythm that augment his moral discourse. Music provides a 'spontaneous love of beauty' that other art forms do not. This is partly because it is more abstract than paintings, which always remind us of the shortfall to the true beauty of nature. Moreover, the appreciation of a good concerto offers not just aesthetic but intellectual pleasure, as one grasps the play of order and system, similar in fact to the contemplation of systems in science. The orchestra and the solar system thus illicit much the same awe and appreciation. It is not too much of a stretch of the imagination to suggest that the economy is a bit like an orchestra; both are

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regimented and orderly such that the whole is greater than the sum of the parts. Smith might well have heard the early orchestral experiments of the sons of J. S. Bach, as well as the offerings by Handel, Haydn and Mozart (who died a year after Smith, in 1791). In any event, like Hume before him, the cure for modern ennui is the enjoyment of beauty and beautiful objects.

Another important theme of Griswold's book, as the title suggests, is that Smith is a central figure of the Enlightenment. How one defines this is part and parcel of his argument. The Enlightenment is full of contradiction; appeals to reason mask underlying passions and non-rational agendas. Smith is all of this and more. He sits precariously on the knife-edge that defines the period, as a divide between the sturm and drang of the early modern period and the sweeping enthusiasms of late eighteenth-century romanticism. His is the voice of reason, yet recognizing, much as Hume did, that we are at bottom like animals, mere creatures of habit and custom. We have never again had a thinker in economics who probed so deeply into the question of human nature as did Adam Smith. Not even John Maynard Keynes, for all his appreciation of our psychological propensities and animal passions, had such an integrated and intricate account. How ironic that Smith died just as Jeremy Bentham bequeathed to economics a more superficial and yet more enduring picture of human psychology. Griswold's study helps us to savor the many valuable insights of Smith, without resorting to fawning adoration. I recommend it highly.

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Truth and Progress in Economic Knowledge (Edward Elgar, 1997, x + 232 pages)
Explorations in Economic Methodology: From Lakatos to Empirical Philosophy of Science (Routledge, 1998; vii + 246 pages) ROGER E. BACKHOUSE.

The recent attention to the rhetoric of economics has led to calls for attention to *Sprachethik* – canons of civility in academic discourse. But, as is so often true in other contexts, the louder the moralizer's voice, the more tightly the rest of us need to guard our wallets. Again, as in other contexts, true *Sprachethik* is better exemplified than exhorted. Roger Backhouse stands high on my list of *sprachethikisch* exemplars. The two volumes under review are outstanding examples of the practice of charitable reading, moderate tone, and fair-minded argument. They illustrate both the virtues and the pitfalls of trying to live the good academic life.

Backhouse's two volumes are unfashionable. He not only defends old-fashioned intellectual and epistemic virtues, such as truth and progress, he does so through the reconsideration of passé methodologies: those of Kuhn, Popper and, especially, of Imré Lakatos. *Truth and Progress* is a comprehensive examination of the state of economic methodology, which presents Backhouse's mature views. *Explorations* is a collection of Backhouse's own methodological articles and book reviews, which trace his personal journey from near methodological innocent (*Explorations* [*EEM*], Chapter 10) through his first attempts to apply Lakatos's methodology to economics and a growing appreciation of the shortcomings of that methodology, and finally to the pragmatism of C. S. Peirce. *Truth and Progress* is essentially a Lakatosian rational reconstruction of *Explorations*. There is naturally a great deal of repetition in the two volumes. If one could only read one, it would have to be *Truth and Progress*. But, despite the repetition, there remains considerable value in reading both. The pleasure, and the edification, of tracing Backhouse's intellectual development alone is worth the effort.

Lakatos looms large over these volumes. Why Lakatos? The reasons are both personal and disciplinary. Economic methodology has a long history. The methodological writing of John Stuart Mill, John Neville Keynes, Lionel Robbins, Terence Hutchison, and Milton Friedman are milestones. Karl Popper has had a profound effect on the language and, perhaps, even on the practice of economics, starting with Hutchison (1938) and boosted thereafter by the proselytizing of Richard Lipsey and other economists from the London School of Economics in the late 1950s and early 1960s. Nonetheless, Backhouse argues that through the 1960's and 1970's, economic methodology did not exist as a distinct sub-discipline (see *EEM*, Chapter 1). Economists, like the practitioners of

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other fields, toyed with Popper and Kuhn, but the first philosophy of science to launch a recognizable and sustained methodological research program in economics was that of Lakatos.

The Lakatosian era is easily dated. It was launched with the Nafplion (Greece) conference of 1974 (see Latsis, 1976). The acme was probably E. Roy Weintraub's *General Equilibrium Analysis: Studies in Appraisal* (1985) – a thoroughly Lakatosian work. That the Lakatosian program in economics was exhausted was clear by the time of the Capri conference of 1989 (see De Marchi and Blaug, 1991). Although its effective life as a dominant research program was no more than fifteen years, the legacy of Lakatos to economics was that it was an important element in the process of establishing methodology as an independent sub-discipline. This is reflected in the differences between the list of participants in the Nafplion and Capri conferences. Both were devoted to Lakatos and economics; yet, with the possible exception of Terence Hutchison, none of the participants at Nafplion (which included the future Nobel prize winners John Hicks and Herbert Simon) was known principally as a methodologist, while the participants at Capri were, in the main, economic methodologists, philosophers, historians, and sociologists, for whom methodology was a central intellectual concern. Mark Blaug and Neil De Marchi, hitherto known as historians of economic thought, became well known as methodologists, due in good measure to the Nafplion conference.

The Capri conference was an intellectual watershed for Backhouse. Previously, he had given some thought to the relevance of Lakatos's philosophy to economics. But at the Capri conference, he undertook something more ambitious: a Lakatosian interpretation of the neo-Walrasian program in macroeconomics (*EEM*, Chapter 2). Backhouse was swimming against the tide: the mood at Capri was that the Lakatosian program was itself rapidly degenerating. Nonetheless, after Capri, there was clearly a community of economic methodologists and Backhouse was clearly a central player in that community. (At a recent meeting of the History of Economics Society, I heard the Capri conference referred to in reverential, almost mythological, tones. For those of us who were there, it was a good conference, but hardly the stuff of mythology. It was, I should confess, a personal watershed for me as well. It was there that I first met Roger Backhouse in a session in which he came to praise Lakatos and I to bury him (Hoover, 1991). Subsequently, I have had the pleasure of working closely with Backhouse in an effort to build up the community of economic methodologists.)

Backhouse traces the founding of the sub-discipline of economic methodology to its Lakatosian episode and to two books: Blaug's *Methodology of Economics* (1980/92) and Bruce Caldwell's *Beyond Positi-*

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vism (1982). But after Capri, what was left of Lakatos? Backhouse's own paper at Capri was, in one sense, a failure for reasons that Backhouse himself explores in *Explorations*: there is an arbitrariness to the fine structure of the Lakatosian program, with it hardcore, positive and negative heuristics, novel facts and excess content, that makes it too easy to fit the actual practices into incompatible research programs that provide little or no normative guidance. To continue to think hard about Lakatos is partly an act of piety and intellectual charity – remembering one's roots. But it is also a declaration of a larger intellectual position. Backhouse admits all the failings at the level of fine details, but still stands by the big picture: history matters to methodology and real history is the history of progress towards truth. Backhouse interprets Blaug's defense of Popperian falsificationism, despite its failure in detail, 'as a shorthand for a hardheaded empiricism' (*Truth and Progress* [*T&P*], p. 211; cf. *EEM*, p. 8). He candidly observes that his own position can be characterized similarly.

Having begun *Explorations* with careful analysis of the success and failures of Lakatos, Backhouse moves on to charitable readings of, among others, the hermeneutic branch of the Austrian school, the rhetoric school of McCloskey *et al*., post-modernism, post Keynesianism, and pragmatism. He reaffirms the Lakatosian value of progress, and notices that a workable notion of progress needs a notion of truth. But the lesson that he takes from the critics of these values is that the needed truth cannot be tied to an impossible atheoretical or extra-disciplinary standard. It must be based in detailed knowledge of the goals, aspirations and practices of economics. In the end, Backhouse finds a workable standard in the pragmatism of the great realist philosopher Peirce. The recent revival of pragmatism due to Richard Rorty, carried into economics by, *inter alia*, Deirdre McCloskey and Weintraub, which traces its intellectual roots (debatably) to John Dewey, is seen to undermine the values of Popper and Lakatos that Backhouse wishes to uphold. In the final analysis, Backhouse should be characterized much as he himself characterizes Blaug: he calls himself a Lakatosian principally as a shorthand for a hard-headed, but *historically informed*, *contextually rich,* empiricist.

Unlike the exploratory and occasional pieces of *Explorations*, *Truth and Progress* is able to look back over the recent history of economic methodology from a unified perspective. It begins with a defense of the very enterprise of economic methodology, which is besieged on two different fronts.

The first front is manned by economists such as Frank Hahn who, reflecting a widespread view in the profession, argues that methodology is at best an enterprise left to specialist philosophers, but not one that should distract a practitioner. An economist, Hahn argues, will not be a

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very good methodologist and methodology will not matter for progress in economics in any case.

The second front is manned by what Backhouse refers to as post-modernists, including, among others, Weintraub (an apostate Lakatosian), McCloskey and the rhetoric school. The main argument of the post-modernists is based in characterizing methodologists as outsiders to the practice of economics, who seek a privileged place from which to judge the practices of economists and to dispense guidance on the manner in which they should conduct their business. The post-modernists argue that no such privileged position exists; that the only viable standards are the standards of the community of practicing economists; and that, therefore, methodology cannot matter to the practice of economics.

Arguments such as Hahn's are easily met by showing how, in fact, the concerns that fall under the rubric 'methodology' are irrepressible. Economists in their practice keep rediscovering them and it is easy to give examples (Backhouse's are drawn from macroeconomics and industrial economics) in which methodological arguments substantially affected the course of economic practice. He also argues that the anti-methodology position is intrinsically conservative. While that may be true, there are surely those who, contrary to Backhouse, would take that as an argument in its favor.

Backhouse shows that the post-modernist arguments against methodology are disingenuous or ill-informed. Both McCloskey and Weintraub, for instance, have identified methodology with the foundationalist versions of logical positivism. One then need only argue that, since there are no independent epistemic foundations, both logical positivism and methodology are wrong. Backhouse points out that the post-modernist attack is against a straw man of their own making. Popper is perhaps the philosopher most frequently quoted by economists over the years. Both Popper and Hutchison, who first introduced economists to Popper in 1938, offer explicitly anti-foundationalist accounts – recall Popper's metaphor of the foundations of science being like piles driven into a swamp. (Even the logical positivists were not the simpletons often portrayed by the post-modernists: Neurath gave us the metaphor of the construction of knowledge being like building a boat while floating on the ocean; Carnap was an admirer and promoter of the work of Kuhn.)

Similarly, the post-modernists such as Weintraub argue that methodology cannot succeed, that it cannot have consequences for economics. In some respects, this argument is patently absurd, for as Backhouse notes, serious economists have in fact relied on methodological considerations in their practice of economics. The argument seems plausible only through a sleight of hand. Since post-modernists acknowledge only community standards, any methodological argument that carries real

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force is defined as belonging to the community of economists – it is really an economic argument – while everything else is banished to the outer darkness. Weintraub distinguishes these two types of methodology as *m*ethodology and *M*ethodology. It is then automatic that Methodology cannot matter, because it is defined to be precisely whatever does not in fact matter. Backhouse argues that the drawing of strict boundaries for intellectual communities is artificial and dogmatic, but without such boundaries the post-modernist arguments do not go through.

Serious methodologists do not, in fact, claim a privileged position from which to legislate the practice of economics. If McCloskey would herself practice with respect to the philosophy of science and methodology the charitable reading that she advocates in principle, or if Weintraub would consider a 'thick' history of methodology, such as he calls for in other contexts, then methodology would take its place as simply another perspective on the common enterprise of advancing economics. Backhouse concludes that, first, there is something to be known about knowledge (which is why methodology is worth studying), but that, second, what is learned does not provide recipes for generating useful economics (which is why we need economists). With Kuhn, Backhouse believes that methodology underdetermines substantial knowledge. But 'underdetermines' does not translate into 'is irrelevant for'.

While Backhouse argues forcefully against post-modernism, he remains careful and fair in his presentations of post-modernist arguments. He seems to me to give them too much credit for raising important issues for economics. He himself shows how many of the issues that they raise were already anticipated in the philosophers and methodologists that they criticize. In an essay in *Explorations* subtitled 'Schumpeter after Kuhn' (*EEM*, Chapter 14) he shows how much of what is useful in the post-modernist perspective is already found in Schumpeter before 1950. This is just one of many examples of a generosity of spirit that perhaps undermines the force of Backhouse's arguments.

There are other examples. For instance, in endorsing Nancy Cartwright's argument that the notion of robustness to mis-specification that is implicit in common reporting practices in econometrics is unsound, Backhouse nonetheless says that such practices 'may still be a useful activity' (*T&P*, p. 145). But, in fact, the gravamen of the argument is that it is a perverse activity. To see it as such, condemns not only common reporting practices, but also Edward Leamer's extreme-bounds analysis and other related econometric methodologies. Backhouse, too, often shows an unwillingness to state tough conclusions starkly, even after having provided good arguments for them.

After defending methodology against its critics, Backhouse turns to reconsider some classic sources of methodology with chapters on Kuhn,

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pragmatism (Laudan and Hacking, as well as Peirce) and Popper. What he takes away from these writers is the goal of progress towards truth, the necessity that both truth and progress be regarded in a historical perspective, and that scientific or economic knowledge must be empirically grounded.

The final six chapters of *Truth and Progress* can be thought of as a set of variations: the questions of progress, theory, and empirical evidence are examined separately and in combination, culminating in Chapter 13, 'Economic theory, empirical evidence and progress in economics'. In Chapter 8, 'The concept of progress', Backhouse concludes:

> Economists are looking for theories and methods of analysis that enable them to say significant things about the economic world: (1) to explain economic phenomena in a convincing way, (2) to predict as accurately as possible and (3) to provide decision-makers with advice . . . Economics, if it is to meet these criteria (all of them, not simply the first) must be empirically based. To make such a claim is not to fall victim to 'positivist' dogma – such objectives are as consistent with pragmatism as with any form of positivism. (*T&P*, p. 105)

Such commonsense conclusions – sound though they are – seem not to require the detailed taxonomy of all the different things progress in economics might mean that form the bulk of the chapter. But Backhouse's strategy is to be thorough as well as charitable.

Backhouse next turns to various arguments in support of the premise that economics is not really empirical after all. Given that he is a declared empiricist, one might expect a more resounding attack on those views, but he offers, in fact, a good deal of accurate reporting, and relatively little judgement. He clearly disagrees with Alexander Rosenberg's (1992) claim that economics is not an empirical subject, yet he goes so far as to say that Rosenberg's views are 'completely convincing' in making sense of much of the history of economics. It seems to me that that is only true if one is willing to say that economics is economic theory and simply ignore the activities of large numbers of economists. And that would be contrary to Backhouse's views in general. He is more forceful in his discussion of Tony Lawson's critical realism. Lawson argues that empirical facts in the economy do not display enduring regularities, but are complex products of deep structures, which econometrics is incapable of laying bare. Backhouse argues that the critical realist enterprise could not get off the ground unless there were '*some* systematic effects' for theory to characterize. Furthermore, the implications of critical realism outrun the supporting arguments:

> Critical Realism appears to have implications for economic theorizing only because Lawson (and other proponents) make a number of controversial

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assertions about what constitutes an adequate economic theory that are unrelated to the critical realist ontology. (*T&P*, p. 113)

In Chapter 10, some of the force of what Backhouse salvages from post-modernism (or, more accurately, finds in pragmatism) is felt. He considers what might be meant by progress in economic theory. In the end, he concludes that all accounts of theoretical progress presuppose that there is a truth that is well enough known to serve as the standard of progress. But he rejects that view. The problem addressed in the remaining variations on the theme of progress is really how a workable standard of empirical truth can be established simultaneously with the evaluation of theoretical progress. Backhouse agrees with Schumpeter that knowledge must be interpreted 'in the light of our standards, since we have no others' (quoted in *EEM*, p. 180). The problem is to develop those standards in the most useful way.

The final third of the book is devoted to that problem. In the last three chapters, Backhouse considers the nature of econometrics and how econometrics can be used to test theories. Although the methodology of econometrics is a growth area, Backhouse provides the fullest discussion of the issues of any general treatise on economic methodology to date. While I applaud the emphasis he places on econometrics, I nonetheless found these to be the most frustrating chapters of the book. In Chapter 11, he spends a good deal of effort distinguishing between checking, replicating and reproducing empirical results, and distinguishing the case of econometrics from controlled laboratory experiments. I left the discussion feeling that I had not quite understood, that I was not sure how to apply the terms according to Backhouse's analysis, and, that even if I succeeded, I was not sure that the distinctions that they indicated were the fundamental ones.

I also found myself disagreeing with particular judgements. For example, Backhouse claims that David Hendry's definition of exogeneity is a statistical property, while Milton Friedman's is a causal property. But Engle, Hendry and Richard's (1983) famous paper 'Exogeneity', distinguishes several concepts. *Weak* exogeneity is a *model-relative* statistical property of the data, but *strong* exogeneity is closely related to causality.

Another example is Backhouse's respectful treatment of McCloskey's oft-repeated criticism of the use of significance tests. This is an example of Backhouse's good intellectual manners trumping his critical judgement. One of McCloskey's main points is true, but obvious: statistical significance is not economic significance. Despite lapses in practice, when has any serious applied economist argued otherwise? But the argument that significance tests should be banished from empirical economics reflects a serious misunderstanding of the nature of statistical

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inference and its uses that ought to be challenged. Unfortunately, Backhouse fails to do so.

Similarly, Backhouse seems to accept uncritically the premise of Bloor and Bloor's (1993) argument that empirical results are not central to economics because they are typically presented in unhedged language (*T&P*, Chapter 13 and *EEM*, Chapter 15). It is not obviously correct – and indeed strikes me as fairly implausible – that the most central claims are couched in hedged language. Nor are all the words that are supposed to be hedges obviously so: for example, is 'indicates' really a hedge word? In any case, it does not really fit Backhouse's generally serious approach to economic practice to accept such linguistic analysis in the face of substantial evidence in actual economic debates that empirical results *are* taken seriously. To cite just two examples: first, the debate between Hendry and Ericsson and Friedman over the truth of monetarist claims in the U.K. There are, as Backhouse discusses, methodological issues in the debate, but it was first and foremost a debate about the facts of the British economy. Second: David Card's and Alan Krueger's finding that increases in the minimum wage rate actually increased employment. Their finding was not only taken seriously – it was attacked and defended by economists – it was also widely discussed in the popular press and by politicians. Backhouse also favorably reports Lawrence Summer's well-known claim that no economic belief was ever overturned by the estimate of a deep structural parameter, and Jan Magnus's and Hugo Keuzenkamp's offer to pay a prize to anyone who could provide an instance in which a test of statistical significance was decisive.

Although I do not believe that Backhouse's own opinion of empirical work is as low as his references to those authors might suggest, his style can be overly charitable. The fact is that Summers and Magnus and Keuzenkamp could be precisely right and, yet, empirical work could be both serious and sometimes decisive. Even though Friedman and Edmund Phelps had laid the theoretical groundwork, the dominance of the expectations-augmented Phillips curve can be traced to the *empirical* failure of the non-expectational version. The rise of real-business-cycle models can be traced to the failures of *empirical* versions of Lucas's monetary-surprise model. The identification of systematic *empirical* failures of purchasing-power parity accounts for large changes in the theory of international trade. Empirical work – even formal econometric investigation – is, in fact, influential, but its influence is almost never through a single formal test. The weight of the evidence, where the weighting is an informal, social process, has frequently decided the direction of the discipline.

Quibbles to one side, *Explorations* and its rational reconstruction, *Truth and Progress*, are important contributions to the literature on

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economic methodology. Backhouse covers a wider range of issues than is found in most other treatises on methodology and shows an exceptional appreciation of the range of activities that economists are engaged in: from industrial organization to monetary economics, from general equilibrium theory to applied econometrics, from scientifically detached academic research to policy advice. He also brings an unparalleled breadth of understanding of different perspectives: neoclassical, Keynesian, post-Keynesian, Austrian, philosophical, sociological, rhetorical, historical, and more. To each he brings an open mind and a willingness to try to learn and to take away constructive lessons, rather than simply to score points. One could not ask for more in a critic than that.

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Cost-Value Analysis in Health Care: Making Sense out of QALYs, ERIK NORD. Cambridge University Press, 1999, 157 + xxiii pages.

Resources devoted to heart bypass surgeries, like resources devoted to anything else, have opportunity costs; and the mere fact that they bring benefits – or even that sometimes they save lives – does not justify expending resources this way rather than in other ways that would also bring benefits. To allocate resources efficiently, one wants to compare the

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net benefits of alternative uses. When those benefits are of very different kinds, it can be very difficult to compare them.

Economists typically take the units of net benefits to be dollars or yen, and they quantify the benefits provided by some good or service by measuring or estimating what people would pay for it. In the case of bypass surgery, for example, one could calculate the earnings loss of someone who, without the surgery, would be unable to continue in her profession, plus the additional care the person might need, plus some estimate of what the enjoyment of the greater health might be. In principle, one could just ask what people would be willing to pay, but the results of such surveys are not reliable. Economists could measure the benefits of alternative medical procedures in this way, just as they measure the benefits of other things; and they could then make recommendations about how to allocate resources between health care and other uses as well as how to allocate resources among health-care uses.

In fact, however, a great deal of health economics is not like this. Despite their reputation for knowing the price of everything and the worth of nothing, economists have not been willing to stomach the implications of cost-benefit analysis, when it is applied to health services. The economic benefits of bypass surgery for a high-paid executive are greater than those that result from performing the same surgery on a homeless beggar, but the beggar and the CEO may have the same moral claims to the surgery. Cost-benefit analysis can be adjusted for the distribution of income and wealth, which would ameliorate some of these difficulties, but serious conflicts remain. For example, calculated in terms of willingness to pay, life-saving medical treatments for those who require costly care might have negative benefits. Faced with a radical collision with everyday morality, many health economists have surrendered cost-benefit analysis.

But the need to establish priorities between different health-improving or life-saving interventions remains, and health economists have usually retained the fundamental commitment, shared by most economists, to conceiving of benefits in terms of preference satisfaction. So health economists turned to other currencies to measure the contributions of health services to the satisfaction of preferences. For example, assuming that individuals satisfy the axioms of expected utility theory, one could ask them to compare a year of life in a specific diminished health state with a lottery resulting in a year of full health with probability p and immediate death with probability $1-p$. Health economists call this 'the standard gamble'. Setting the utility of full health at 1 and death at zero, the utility of any other health state is equal to the probability that makes an individual indifferent between a year in that health state and the standard gamble. In principle, this method of

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measuring the utilities of health states – that is, preferences for health states – renders all health states comparable. The standard gamble is one way – and there are others – of determining the 'quality adjustments' needed to calculate the 'Quality Adjusted Life Years' (QALYs) that result from alternative treatments. QALYs measure an individual's utility by multiplying the utility of the individual's health-state (measured on a 0–1 scale) by its duration (measured in years).

Measuring the utility of health states by means of the standard gamble does not, however, permit the utilities of health states to be compared to utilities of other things. (No one takes seriously the idea of using standard gambles to measure the value of other things, such as possessing a summer cottage for a year.) So economists have settled for what has become known as cost-effectiveness analysis. In doing cost-effectiveness analysis, economists take as given the resources devoted to health care and offer recommendations concerning how to allocate them across different treatments by examining the benefit-cost ratio of treatments.

In *Cost-Value Analysis in Health Care: Making Sense Out of QALYs*, Erik Nord offers a brilliant critique of cost-effectiveness analysis, and argues for an alternative, which he calls 'cost-value analysis'. He identifies and criticizes two crucial ethical assumptions that are implicit in cost-effectiveness analysis:

1. The social value of health services is the sum of the health benefits provided to the persons who receive the services.
2. The benefit of a health service for an individual is the sum of the (possibly discounted) utility gains or losses over all the years of life in which the individual experiences the effects of the service.

These assumptions have a certain plausibility. In defense of the first, one could argue that all that matters about health services are the benefits to individuals, and so the social value should consist of the total of those benefits. In defense of the second, it seems that the total quantity of any particular benefit to an individual should be the sum of the benefits provided at each moment. Whether future benefits should be subject to time discounting has been a subject of controversy, but whether discounted or undiscounted, it has been assumed that benefits should be added up. Owing to space constraints, I shall discuss only the first assumption which is, in any case, of more philosophical interest.

Despite its apparent plausibility, Nord shows conclusively that the first assumption is false. But he does not state his case this way. He argues explicitly for a somewhat different thesis. His criticisms are (apparently at least) empirical rather than philosophical. Rather than arguing that these assumptions are false, he challenges whether people accept them:

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> Ideally, one would think that they [these assumptions] were made on the basis of empirical studies showing the extent to which societies value different aspects of health-care services. In other words, one would think, or at least hope, that the QALY approach was a result of 'reading off' societal values and operationalizing these in a perhaps simplified, but nevertheless mainly realistic, parametric model.
>
> Unfortunately this is not the case. The QALY literature of the early seventies is devoid of empirical data of this kind. The reader will also look in vain for broad, explorative theoretical discussions of the possible determinants of societal value in health care. Instead one finds what I perceive as a quick leap from the way economists tend to think about macroeconomics in general to a simple value judgment within the context of health care: Just as the richness of a country, and hence the goodness of an economy, is measured by the size of its output of goods and services – namely, its GNP – so it is assumed that the goodness of a health care system should be measured in terms of the amount of health that it produces … From this basic value judgment *in the minds of those who developed the QALY approach* there is only a short step to suggesting that the societal value of a health-care service be viewed as proportional to the increase in quality of life, the duration of benefit (with a discount factor for distance in time), and the number of people helped (pp. 21–22)

A considerable part of *Cost-Value Analysis* is then devoted to citing empirical studies that show that those who have been surveyed overwhelmingly reject these assumptions. For example, even if many more individuals can be helped if treatment is provided only to those who are cheaper to treat, people overwhelmingly prefer giving everyone some chance of being treated (pp. 63f). Saving the life of someone with a disability such as deafness provides a smaller health gain than saving the life of someone without a disability, but most people think that saving either life is of equal value.

These empirical findings are of interest in at least two ways. First, within the constraints of morality, health systems should serve the preferences of their targets. Nord appears to hold an extreme version of this view. He writes that a health-care insurance plan 'should strive to be *as valuable as possible* to its members given the resources that these members have made available … For brevity, I shall hence forth refer to this aim as *maximizing membership value*' (p. 2). This is ambiguous. It could mean 'maximizing benefits to the members' or 'maximally conforming to the values of the members' or yet something else. As we have already seen, Nord rejects the first interpretation; and it sometimes appears that he accepts the second. On this view, the preferences or judgements of the target population should determine health care priorities. Despite some of his formulations, I do not think that Nord holds this view, which has unacceptable implications. For example, it implies that in a society in which most people value men's health more

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than women's health, men should receive better health care than women.

The judgements or preferences elicited in empirical studies are also important, because they point to ethical issues that are ignored by health-maximization. Popular views are not, of course, automatically correct. As we have just seen, they may reflect illegitimate discriminations and other failings of moral judgement. Yet people have a great deal of moral wisdom, too; and there is much to be gained by trying to understand the reasons why they overwhelming reject health maximization – even if it turns out that some of those reasons cannot be defended. Here again, it appears as if Nord holds an extreme view. He writes, 'I define a *fair* resource allocation in health care as one that accords with societal feelings about the strength of claims of different patient groups' (p. 23). If one takes this claim literally, it implies that societal feelings are infallible – that the social consensus is automatically correct. So if people in some society generally think that it is fair to put less weight on women's health needs, then doing so is fair in that society.

Although Nord flirts with moral relativism, it is not his considered view. For example, in discussing the valuing of the health states of those who are disabled, he denies that the judgements of the general population should be decisive (p. 90). Rather than interpreting Nord as asserting that the social consensus is never wrong, one should, I think, take him to be diffident about his credentials as a moral philosopher and inclined to think that there is a good deal to be learned from shared moral attitudes. Reading him in this way, one can see that Nord is in fact offering serious moral criticism of the health maximizing perspective upon which cost-effectiveness analysis is founded.

Nord's book is not only an important critique of cost-effectiveness analysis. Nord also outlines an alternative, which he calls 'cost-value analysis'. Like the economists whom he criticizes, Nord thinks that health-care dollars should be devoted to those services that provide the most value. But unlike standard health economists, Nord denies that 'membership value' or 'societal value' is the sum (over times and people) of health benefits. In considering whether to give all those who could benefit from an organ transplant some chance of getting the organ or whether to give the organs only to those who can benefit the most, one needs to compare the social value of the alternative allocations, not the aggregate benefits to the organ recipients.

This is not a merely theoretical observation, because Nord proposes a way to measure the membership or societal values of health services. These should be measured by so-called 'person trade-offs'. Individuals can be asked to compare alternative interventions such as, for example, one that prevents *n* cases of blindness and one that prevents 1000 premature deaths. If individuals are indifferent between these two

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interventions when n = 4000 and the age distribution in the two groups are the same, then preventing blindness has one quarter the value of preventing premature death. If the health economist can determine how members of a society make person trade-offs, then the health economist can measure *directly* the relative value of alternative health services. Knowing that value, health administrators can then allocate health services so as to produce the most value with the resources they are given. The value of alternative interventions, unlike differences in utilities or QALYs, is not a measure of the utility produced by the intervention. Although it depends in part on the utility gain produced by the intervention, it also depends on factors such as fairness.

There has been some confusion in the literature about what person trade-offs measure. As part of its efforts to come up with a summary measure of population health, the World Health Organization attempted to use person trade-offs to render different health states comparable (Murray, 1996, pp. 90f). The World Health Organization attempts to measure the burden of disease in terms of 'DALYs', 'Disability Adjusted Life-Years', instead of QALYs. Since DALYs are a measure of the burden of disease, the direction of the scale is reversed. On the DALY scale, 0 is full health and 1 is death. But the measure of how much a disability diminishes health, *unlike* a person trade-off, should not be sensitive to moral commitments concerning how health resources ought to be distributed.

Nevertheless, in its efforts to weight health states, the World Health Organization asked individuals to make two sorts of person trade-offs. In the first (PTO1), people were asked to compare alternative interventions such as, for example, one that extends the life of 1000 healthy individuals for a year and another that extends the life of n individuals who are blind. If individuals are indifferent between these two interventions, when n = 2000, then extending the life of someone who is blind has half the membership value of extending the life of someone without any disabilities. If individuals are indifferent between the two interventions when n = 1000, then extending the life of someone who is blind has exactly the same societal value as extending the life of someone who is not.

People might reasonably be indifferent between the two interventions when n = 1000 on the grounds that the life of someone who is blind is just as valuable as the life of someone who is sighted. But a society that distributed its limited life-saving treatments equally to those who are disabled and those who are not, would wind up with a larger percentage of disabled individuals than a society that focused its limited life-saving treatments on people without disabilities. Person trade-offs are thus a flawed way to measure health benefits. Giving everyone an equal chance to receive a life-saving treatment might maximize *value*, but it would not

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maximize health *benefits*. In all of the societies for which Nord has data, value depends also on factors such as fairness. It does not only depend on benefits to recipients.

In addition to PTO1 comparisons, the World Health Organization asked respondents to make PTO2 comparisons such as between an intervention that cures blindness in k people and gives them a year of sighted, healthy life rather than a year of blindness with a second intervention that permits 1000 fully healthy people to live an extra year. If both PTO1 and PTO2 questions are measuring the burden of blindness – that is, the extent to which blindness diminishes the quality of life – then the two answers should be related. Let V be the value of a year of life when one is blind and 1 be the value of year of life when one is healthy. Then the PTO2 comparison implies $k(1-V) = 1000$, while according to PTO1 comparison $n.V = 1000$. Thus, $k = 1000[n/(n-1000)]$. Those people who answer '1000' to the first (PTO1) question, should answer infinity to the second (PTO2) question. Those who answer 2000 to the first question, should answer 2000 to the second, and so forth. When the answers individuals gave to the two questions were not 'consistent', the WHO researchers pointed this out and required their informants to come up with consistent figures. But if the PTO questions are eliciting the *value* of the interventions rather than measuring the weight of a disability, there is no reason why the answers should have this mathematical connection. Judging that it is equally important to save the life of someone who is blind as to save the life of someone who is not disabled leaves open the importance of curing blindness versus saving lives.

Nord argues that cost-effectiveness analysis should be replaced with cost-value analysis, where values are determined by person trade-offs that are acceptable to members of the target population. Eliciting the values is not as simple as I have made it sound. As Nord emphasizes, the trade-offs individuals make are very sensitive to details of the elicitation protocol – that is to features such as framing, starting points, context, and small differences in phrasing (pp. 129–31). Successfully measuring values requires lengthy interviews or group discussions in which individuals are 'induced to consider carefully the various arguments that might be relevant in each comparison and to reconsider initial responses in the light of their implications' (p. 131). Furthermore – and this is a point that Nord does not make explicitly – the social values health economists or administrators measure may be unacceptable. They may reflect ignorance, prejudice, or irrationality; and those who are administering a health system will need to look beyond the values to the arguments supporting them to know whether to accept them.

A myriad of loose ends remains, and Nord does not pretend otherwise. But *Cost-Value Analysis in Health Care* is an exciting step

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forward. There are serious, difficult, and unavoidable problems concerning how rationally to allocate health services. Even if one believes that these are political problems that must ultimately be settled through public deliberation, informed deliberation requires extensive information concerning costs, benefits, distribution, and so forth. Cost-effectiveness analysis provides only some of this information, and it poses the risk that the values ignored by the health maximization perspective will not be heard in the public forum. Nord's cost-value analysis incorporates those values into the technical evaluation of alternative health services and in that way – to its credit – keeps those values from being overlooked. Yet in treating them as factors to be measured and incorporated into the computation of the value of health services, Nord might appear to deny that moral commitments are also subject to public debate and that the distribution of health services is ultimately a collective *moral decision* rather than a technical exercise in satisfying preferences.

That one cannot read Nord's superb book without asking these and other difficult questions is not meant to be a criticism. Nobody is close to solving all the problems in this area. *Cost-Value Analysis* offers fundamental criticisms of cost-effectiveness analysis and the whole enterprise of measuring QALYs and DALYs, and it suggests a fascinating, promising, and problematic alternative. It is compulsory reading for both economists and philosophers interested in the allocation of health services.

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Free Markets and Social Justice, Cass Sunstein. Oxford University Press, 1997, vi + 405 pages.

This book is a collection of 14 essays by the legal theorist Cass Sunstein that have appeared in various journals (mostly law journals) throughout the 1990s. Despite the title, these essays are not, for the most part, about distributive justice and the market, at least as this topic is ordinarily understood. Instead, they are about a range of issues concerning the market, democracy, and the proper role of government. Part I, consisting of five essays, concerns foundational questions about the sources and legitimacy of people's preferences and values as expressed both in the market and through the political process. Part II is about the nature and value of rights, including free speech rights and the right to private property. Part III concerns regulation, specifically health and safety regulation, and many of the defects of the current regulatory regime in the United States. Overall, Sunstein defends a left-of-center perspective on these topics, with none of the reflexive suspicion of markets found in the work other writers of his general political persuasion.

A theme that runs through many of the essays is that the economic analysis of law has important limitations and deficiencies both as an analytical tool and as a basis for a normative evaluation of the market. Markets are typically praised on the grounds that they efficiently satisfy people's preferences. A corollary to this view is that there is a role for the democratic state in satisfying people's preferences when markets fail. Much of *Free Markets and Social Justice* is concerned with undermining this sanguine view of markets and the associated picture of the role of government.

In a number of essays (notably, 'Preferences and Politics', 'Social Norms and Social Roles', and 'Endogenous Preferences, Environmental Law') Sunstein argues that preferences are not fixed, given, and acontextual but instead are shaped by social roles and norms, past consumption choices, and legal rules. In short, they are endogenous. A subset of these preferences are what Sunstein calls 'adaptive preferences'. These are preferences that people develop in response to, and as a coping strategy for dealing with, unjust or otherwise undesirable conditions (pp. 25–8, 256–8). For example, women may have adaptive preferences (caused by, for example, advertising or past consumption choices) for traditional social roles that entrench inequality between the sexes (p. 161), and many people may have weak preferences for environmental quality because of their lack of exposure to clean air, clean water, and pristine areas (p. 256). A further implication of the endogeneity of preferences is that any existing allocation of ownership rights to productive assets, income, and so on, serves to reflect, legitimate and reinforce social understandings about who is entitled to what. This means that people's judgements about fairness and who is entitled to what are strongly conditioned by the existing legal and economic system. A special case of this general status quo bias is the so-called 'endowment effect', whereby the initial grant of an entitlement of something to someone makes it more valuable to that person than it would otherwise be (pp. 247–56).

According to Sunstein, the endogeneity of preferences has three

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important implications: (1) existing institutions cannot be justified by an appeal to the fact that they satisfy preferences for which those very institutions are responsible (pp. 17, 257); (2) endogeneity undermines the connection between the satisfaction of these preferences and welfare (Sunstein says, 'because preferences are shifting and endogenous, and because the satisfaction of existing preferences might lead to unhappy or deprived lives, a democracy that treats all preferences as fixed will lose important opportunities for welfare gains' (p. 18)); and (3), finally, since endogenous preferences are shaped by social forces outside the immediate control of individuals, they are non-autonomous (p. 19). A concern for autonomy, then, does not require a 'hands off' attitude toward existing preferences.

What is the larger significance of these implications? The first attempts to undermine a fairly simple utilitarian justification for relatively free markets by calling attention to its apparent circularity. That much seems hard to deny, though there is something peculiar about discounting preferences because of their endogeneity. Any stable political or economic system will contain structures or processes that generate its own support. Presumably, many of the preferences of people living in the kind of society Sunstein favors would also be endogenous.

The second and third implications are simultaneously intended to undermine preference satisfaction rationales for the market and to justify an activist role for the state in determining or shaping preferences. In 'Social Roles and Social Norms', Sunstein argues for the latter proposition in some detail. Existing norms, social roles, and social practices are often obstacles to human well-being and autonomy (p. 37). Consequently, changing norms will often be the best way to improve individual and social well-being and to enhance autonomy. This often requires solving collective action problems that government is uniquely suited to addressing. Besides, since the existing legal culture expresses certain values and norms, government is inevitably involved in shaping norms. State 'neutrality' about the norms and values by which people live their lives is therefore a myth.

Though he does not try to settle decisively the question of exactly when government should intervene and try to (in his phrase) 'manage norms', he does cite four sorts of cases in which government action seems appropriate (pp. 58–9). Firstly nearly everyone agrees that a change is called for. For example, almost everyone agrees that it would be better if people felt a responsibility to clean up after their dogs. Passing a law requiring such behavior can change the relevant norms. Secondly, the behavior is prompted almost entirely by the reputational consequences, and most people want the latter to change. (His example of drug use in this connection does not seem quite right, however, since the reason many people take drugs is not primarily because of the

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reputational effects but because they enjoy getting high.) Thirdly, existing norms are part of an unjust caste system. Examples of this phenomenon would include many defunct norms relating to how women and minorities are supposed to behave and be treated. And fourthly, existing norms undermine people's autonomy by discouraging them from exposing themselves to diverse conceptions of the good and from giving critical scrutiny to their own conceptions of the same. That might justify public funding of the arts and educational television. All these observations are intended to support state-sponsored paternalism, though as noted above, he never attempts to delimit the exact circumstances under which such paternalism is justified.

Sunstein also discusses other phenomena that are intended to undermine a more libertarian view about the proper role of the state in civil society and to support a more activist role for government. One is the phenomenon of value incommensurability. 'Incommensurability occurs when the relevant goods cannot be aligned along a single metric without doing violence to our considered judgments about how these goods are best characterized' (p. 80). The explanation for incommensurability is to be found in the fact that people value things in different ways, where the ways or modes of valuation are defined by reference to the type of intentional states (e.g., awe, admiration, love, resentment) people have toward them. That is why people find it inappropriate and even immoral to talk about the monetary value of, for example, natural wonders and human organs.

This does not imply that choices cannot or should not be made, but it is supposed to explain the inappropriateness of markets in these goods. According to Sunstein, politics is the appropriate realm in which to take account of incommensurable values (though not by trying to mimic the market through cost-benefit analysis). This belief derives from a certain conception of democracy – what he calls a Madisonian conception. Briefly, Sunstein wants to reject the idea that democracy is, and ought to be, like the market in that it is merely a vehicle for people to register their preferences. By contrast, on his Madisonian conception the democratic process is deliberative and transformative. Through a process of public discussion and interaction, citizens of a democracy clarify and can even change their (incommensurable) values and come to decisions about how best to realize them – decisions which often or even usually involve restricting or usurping the realm of the market.

Sunstein also argues that politics is the appropriate realm in which to express altruistic values and collective values. The latter are (roughly) values about the kind of society in which people want to live (p. 22). For example, a social safety net might be justified by appealing to the fact that most people want to live in a compassionate society which takes care of those who are unable to take care of themselves.

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Sunstein's analysis suffers from a number of problems. One is that he never clearly identifies his opponents and their best arguments. No serious thinker believes that people's preferences as expressed in the marketplace are acontextual and fully autonomous, and it would be difficult to make the argument that the best thinkers who support limited government somehow presuppose this. It is true that, for certain analytical purposes, economists treat preferences as fixed and given, but it is a poor economist who directly infers policy prescriptions from an abstract model which treats preferences that way. If economists guilty of this failing have nevertheless shaped government policy, he should name names and expose their oversimplified reasoning. Instead, his opponents remain unnamed and their views as he characterizes them seem highly implausible.

A second problem is that he gives insufficient attention to non-market, voluntary institutions as vehicles for incommensurable and/or collective values and as sources of changes in values ('norm managers'). A private ordering includes much more than the market and its associated structures. There are faith-based organizations and a wide range of other voluntary institutions devoted to promoting certain values and ideals. To make a case for state action as a vehicle for collective and incommensurable values and as a tool of norm management, it is necessary to explain why those alternative institutions are inadequate to the task. At one point he does consider non-state institutions as norm managers but dismisses them:

> [P]eople who are dissatisfied with prevailing norms can vote with their feet, using the power of 'exit' to become members of groups built on especially congenial norms. . . . [But] the existence of norm communities is not a full solution to the problem posed by some social norms. It can be very costly to exit from the norm community in which one finds oneself, and the fact that one has been raised in that community may make other options seem unthinkable or horrific even though they might be much better . . . it might be better if the community as a whole [i.e., the state] could do something about those norms. (pp. 40–41)

However, the very difficulties with norm communities that Sunstein calls attention to are exacerbated when the community is the state (especially at the national level) and the norms and values at issue are the ones it sustains and ratifies. For example, if one is dissatisfied with the norms and values sustained and ratified by the contemporary American state (most notably, the now widespread belief in the appropriateness of government-sponsored paternalism) the costs of exit are quite high. And if one has been raised in a society in which the state permeates most aspects of social life, including, above all, the schools, one would have to have considerable internal resources – or already

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belong to a dissident norm community – to question the values and norms the state endorses and sustains.

Finally, Sunstein is not sufficiently sensitive to the problems and difficulties involved in government-sponsored paternalism and attempts to realize incommensurable and collective values. For instance, even assuming that government officials sincerely want to bring about beneficial norm changes (and that their desire to do so is not endogenous or even adaptive to their particular political subculture!), the problems involved in knowing that any of the four above-named conditions for state-sponsored norm management holds are formidable. As Timur Kuran has shown (1995), preference falsification is a widespread phenomenon. Very often people do not publicly reveal their preferences and values, or they dissemble about them, especially when those preferences and values are at variance with official (i.e., state-sponsored) ideology. More generally, Sunstein seems to be overly optimistic about the extent to which government officials are capable of or interested in doing the right thing, however the latter is defined.

Serious problems also afflict attempts by government to realize collective and incommensurable values. If such values are widely shared, they are likely to be highly indeterminate and vague. That fact creates an opportunity for special interests to shape attempts by government to realize those values. For example, the Clean Air Act, which was supposed to give expression to widely shared environmental values, mandated the installation of scrubbers as pollution control devices in coal-fired generating plants. That served the interests of Eastern high-sulfur coal producers at the expense of Western low-sulfur coal producers; the Act was not coincidentally supported by powerful senators from Eastern coal producing states.

Sunstein is aware of the problem but does not regard it as a serious systemic difficulty that cannot be resolved. He says,

> often, of course, such processes are distorted by the presence of narrow self-interest on the part of political actors, by the fact that some groups are more organized than others, by disparities in wealth and influence, and by public and private coercion of various kinds. I am assuming here that these problems have been sufficiently overcome to allow for a favorable characterization of the process. (p. 23)

As Bertrand Russell once said in another context, that has all of the advantages of theft over honest toil. Those who favor the market (and other voluntary organizations and institutions) are keen to display the ability of those institutions to satisfy people's preferences and values in an efficient way, but that has always been only part of the story they want to tell. The other part concerns the inefficiencies and dangers involved in government attempts to do the right thing, whether the latter

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is defined in terms of satisfying preferences, promoting welfare or enhancing autonomy. The best argument for respecting existing preferences and values as they are expressed in a private ordering is not that those preferences are infallibly linked to human happiness or even especially worthy of respect but that the statist alternative is much worse. Though Sunstein is aware of some of the failings of the political process alluded to above, he never squarely faces the possibility that the problems are endemic and that there is no way to reform the political process (in a democracy at least) in a way that will make his assumption quoted above come true.

Many modern liberals place great faith in campaign finance reform as a way of limiting the influence of special interests. In 'Political Equality and Unintended Consequences' Sunstein sympathetically reviews the case for this. While he believes that some of these reforms can be done and would have their intended effect, he also believes that others would prove ineffective, self-defeating, or at odds with the Madisonian conception of democracy he favors. This realistic attitude about the effects of campaign finance reform contrasts oddly with his assumption in other essays in this collection (notably those in Part I) that politicians and the bureaucrats they appoint are capable of routinely acting on the basis of a correct perception of what is in the public interest.

Part II is a miscellaneous group of essays on rights, one of which is of particular interest. In 'On Property and Constitutionalism', Sunstein reviews the political and economic changes in and the challenges facing the formerly communist countries of Eastern Europe. He is concerned to emphasize a problem or challenge that he believes has been unjustly neglected, namely, the problem of constructing a constitution that limits the power of the state over private property. As classical liberals have emphasized, constitutional limitations on state power over private property are essential if a market regime based on private property is to succeed. If the state has the power to alter or truncate property rights arbitrarily and without compensating those whose interests are harmed, the economic benefits of a market economy will not materialize, and citizens will not have the independence *vis-à-vis* the state, that is necessary for a well-functioning democracy. (Contemporary Russia comes to mind as a spectacular example of such a failing.) In this essay, Sunstein makes these points about private property trenchantly and explores their implications and ramifications in detail.

The essays in Part III focus on government regulation, specifically, environmental, health and safety regulation. Though Sunstein sees a large role for government in these areas, his views are complex, nuanced, and appreciative of the critique of regulation that has been developed over recent decades by economists and legal theorists who are sympa-

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thetic to free markets. In 'Paradoxes of the Regulatory State', he explains in detail how regulation can be counterproductive to its intended aims. 'Democratizing America Through Law', argues that government should, (i) rely more on providing information and less on sheer coercion, (ii) eschew as much as possible command-and-control regulation in favor of creating economic incentives to encourage desirable behaviors and discourage undesirable behaviors, and (iii) decentralize decision making about regulatory issues as much as possible.

On the other hand, Sunstein has significant disagreements with contemporary proponents of deregulation. In 'Congress, Constitutional Moments, and the Cost-Benefit State', he objects to two prominent features of the latters' proposals for regulatory reform. One concerns some sort of requirement to incorporate cost-benefit analysis into the regulatory decision-making process, an idea that was pressed for by Congressional Republicans in the 104th Congress. The other, advocated by free market environmentalists, is to define and assign property rights more completely and unambiguously, thereby internalizing various externalities such as pollution. Though Sunstein believes there are instances in which these approaches would work, he objects to their being the guiding principles for regulation that their proponents envision. The bases for his objections are to be found in some of the themes discussed in the essays in Part I. Both treat incommensurable values as though they were commensurable. Regulation has a variety of goals, some of which are not best understood in terms of efficiency. Examples include anti-discrimination law, laws designed to protect pristine areas and endangered species, laws intended to fulfill cultural aspirations (e.g., funding of the arts and public television) and laws that aim at redistribution (pp. 368–9). At best, cost-benefit analysis can provide only a distorted picture of the desirability of government action in achieving those ends. Free market environmentalism, which seeks to create private property rights which can then be enforced by the courts, takes as its touchstone private willingness to pay and also assumes a commensurability of values that does not exist. 'A market oriented understanding of regulation is inadequate because it makes no space for public deliberation' (p. 379). The democratic political process, Sunstein believes, is the appropriate forum in which to realize those other values and to make the inevitable and necessary trade-offs among values that are incommensurable.

A problem with this approach, however, is that it fails to take account of the forces that are set in motion when the definition of property rights is permanently on the political agenda. Such a regulatory regime, which is what exists now, is a world of threats and opportunities for private parties. This means that the latter have every incentive to shape the political process that issues in regulation and the implementa-

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tion of the regulations that emerge in a way that furthers their interests. Although Sunstein displays great sensitivity to the problem of unstable property rights in his discussion of the emerging market economies in the formerly communist world, he does not see that a similar problem arises in Western democracies when regulation is used to realize various and sundry incommensurable and collective values.

Despite the problems discussed above, this collection of essays represents the beginnings of a sophisticated defense of much of the modern liberal agenda on the proper role of government, a defense that takes seriously some of what critics of big government have been urging for a number of decades. If taking one's opponents seriously is a necessary condition for progress in a debate, this book makes a signal contribution to the debate about the proper role of government.

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Social Welfare and Individual Responsibility, David Schmidtz and Robert E. Goodin. Cambridge University Press, 1999, xviii + 222 pages.

In this volume, David Schmidtz and Robert Goodin debate one of the most contentious issues of our time: who ought to be in charge of ensuring that the poor in our society are taken care of, and how should this be accomplished. Both sides, at least as represented in this volume, care passionately and deeply about the least advantaged among us, but their emphasis of where the problem lies and thus from where solutions will spring differs. One side sees great potential in the combination of individual responsibility with the spontaneous order of a voluntary civil society, while the other finds this approach inadequate and doomed to failure unless supplemented by state-sponsored social welfare programs. Both sides have powerful conceptual models to back up their claims, and both recognize the logic behind the other side's models while disagreeing on the relative weight to place on them. As such, this book represents a wonderful example of how individuals that passionately disagree can engage in civil discourse that leads to a better understanding of each side, even if, at times, it seems the authors talk past one another.

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To place this debate into a more general context, I would like to begin by suggesting that there are two contrasting 'models' that can be used to think about the tension between individual responsibility and state-sponsored social welfare. The first of these I will call the *public goods model of social welfare*, and I contend that, even if only implicitly, it is the foundational stone on which the pro-social welfare case represented by Robert Goodin must ultimately build its case. The second model I will call the *tragedy of the commons model*, and it forms (more explicitly) the foundation of the case against state-sponsored social welfare as developed by David Schmidtz. Each side, I believe, recognizes the logic of the other side's foundational model, but each insists that its model ultimately is the more appropriate for the discussion at hand.

At the heart of the public goods model of social welfare lies the standard argument against reliance on voluntary civil society as the primary mechanism through which to ensure the welfare of the poor: surely not enough would be done through voluntary means. 'No one', Robert Goodin reminds us, 'wants to rule out the voluntary giving or receiving of assistance'. Rather, he suggests, 'the policy question at issue is ... what to do ... when the mutual aid that we think ought to flow automatically ... proves not to be forthcoming' (p. 135). The presumption, then, is that there is something fundamental that causes aid *not* to flow automatically.

A naive libertarian might respond by asking why, if individuals in a society are so lacking in compassion when asked to give voluntarily, we would expect the same individuals to be generous when voting to authorize the state to construct social welfare programs. While there is truth in this observation, it also contains a major flaw that has long been understood by economists and others. Whenever I choose to give to the poor, I am, without thinking about it, benefiting not only the poor but also everyone else who similarly cares about poverty. Because I do not consider these benefits to others – or, as the economist might put it, because I do not internalize the positive externality associated with my charitable activity – I will give less than what is socially optimal, as will everyone else under a voluntary contribution system. The reduction in poverty can therefore be viewed as a *public good*, and reliance on voluntary giving will lead to an under-provision of that good.

As a result, we might ideally like to all gather together in a room and write a contract that obligates us to give more than we otherwise would – a contract that would make all of us better off by forcing us to internalize the positive externality from each of our giving. One way to enforce such a contract is through the state, with the state forcing individuals to contribute into a social welfare system. This, advocates of state-sponsored social welfare will argue, is the reason a society composed of charitable individuals will give more to the cause of

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alleviating poverty when voting on state sponsored social welfare programs than when responding to a call to voluntary giving. The *public goods model of social welfare* therefore supports the case for state sponsorship of social welfare by pointing to a positive externality that exists when individuals are asked to give without state coercion.

David Schmidtz is not a naive libertarian, and his argument for a voluntary system of social welfare does not rest on a denial of the logic behind public goods. While the forces contained in this model are real, Schmidtz reminds us that the world is more dynamic than this simple static model suggests. The problem we face is not merely that some have plenty and others are in need at a given moment in time, but also that some institutions will lead to greater destitution and others result in greater prosperity. More precisely, institutions that lead individuals to take responsibility for their actions (and for the actions of their voluntarily formed communities like families, church groups, etc.) fall into the former category, while institutions that discourage such individual responsibility belong to the latter. An important distinguishing feature of alternative institutions, therefore, is the extent to which they cause individuals to internalize rather than externalize *responsibility* – the extent to which individuals see themselves rather than society as responsible for both successes and failures. This, Schmidtz argues, is the crux of the issue.

As a result, Schmidtz essentially tells us that the *public goods model* is not the most useful model for thinking about social welfare. Rather, he frames the problem of aiding the poor in the context of a *tragedy of the commons model*: collective responsibility enshrined in state-run social welfare programs tends to produce an urge in each of us to externalize responsibility – to blame others for our misfortunes and to lay claim to others' successes. When individual success comes to be viewed as a common good, we have created a system in which the incentive to achieve is like the incentive to give in the public goods model. Each of us will work to achieve to some extent, but since others can lay claim to part of our success, we will achieve less. Thus, too little 'achieving' arises in the tragedy of the commons model just like too little 'giving' comes out of the public goods model. And consequently, when success is viewed as a common resource, more poverty will result, and more giving will be required to alleviate it. The issue to Schmidtz, then, is not so much whether we rely on individual or collective responsibility of social welfare *per se*, but rather whether we rely on institutions that cause individuals to internalize responsibility. State-sponsored social welfare, while seeking to internalize the positive externality from giving that arises in the static public goods model, creates a negative externality in the dynamic tragedy of the commons model.

By providing us with the tragedy of the commons model of social

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welfare, Schmidtz therefore paints a picture of state-sponsored social welfare as an institution that *necessarily* leads to a decline in individual responsibility and thus an increase in poverty. 'It is a mistake', he reminds us eloquently, 'to rescue children from the prospect of growing up poor by putting them in a situation where they grow up not knowing what being productive (or feeling the self-respect that goes with it) would be like. The cure is worse, much worse, than the disease' (p. 19). It is a mistake, in other words, to use the static public goods model and focus on redistributing wealth from the well-off to the poor *today* without considering how the change in incentives resulting from a system of such redistribution may make matters worse *tomorrow*. The tragedy of the commons model then leads Schmidtz to suggest that 'if we want to minimize suffering, we must do so within the context of the goal of leading people (as individuals or as a group) to take responsibility' (p. 21).

But, as Goodin points out, this requires difficult judgements as it forces us to move beyond viewing aid as an entitlement. 'Sorting claimants into "deserving" and "undeserving" entails an individualized "character test" requiring welfare administrators to make discretionary judgements of an often arbitrary and objectionable sort' (p. 176). Furthermore, errors will be made, and innocents will be hurt. And if we know 'that innocents will suffer as a result of what we do', Goodin asserts, 'then we ought ... to be held fully accountable for that foreseeable suffering' (p 175). I suspect most would agree with that statement, but what goes unacknowledged in the pro-social welfare side is that the statement cuts both ways: if we know that a state-sponsored social welfare program that does not differentiate between the deserving and the undeserving will create more suffering in the future, then that suffering must also be taken into account. And that is the thrust of Schmidtz's argument based on incentive effects in the tragedy of the commons model of social welfare.

Schmidtz does not, however, propose to reform our state system into one that is more nurturing of individual responsibility. Both he and Goodin agree that a state-sponsored social welfare system will have a difficult time separating the undeserving from the deserving because the state simply does not have sufficient information to do this effectively. This is why Goodin implores us 'to stop worrying about punishing the undeserving and think more of the deserving upon whom such restrictive policies would inflict such undeserved suffering' (p, 110), and this is why Schmidtz argues against the involvement of the state. The two agree, therefore, that the choice is a radical one between state-sponsored social welfare as an entitlement on the one hand or exclusive reliance on private civil society solutions on the other. (This gets lost in some of Goodin's discussion of contemporary welfare debates, a

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discussion that addresses issues of how social welfare programs ought to be structured but not the larger issue of whether the state is the right institution to make these kinds of judgements.)

But this is where the agreement stops. From here, the weight of one side's case rests on the public goods model, while the weight of the other rests on the tragedy of the commons. 'Where causes are complex and intertwined, it typically costs more than it is worth to try disentangling them so as to allocate ''personal responsibility'' among particular individuals', Goodin concludes (p. 158), while Schmidtz has hopes that a more decentralized system based on the spontaneous order arising from voluntary associations may maintain responsibility *and* aid the poor. He cites historical examples such as mutual aid societies, and he reminds us that information is much more readily available to small voluntary groups than to a large, impersonal state bureaucracy. Thus, the discretion that is required in aiding the poor while not creating a tragedy of the commons is more easily exercised in a decentralized fashion through voluntary associations. (It could be noted that the public goods problem may also apply less in a more decentralized world if individuals care more about poverty locally than globally.) We should not, Schmidtz suggests, give up on responsibility just because it is too hard for the state to run social welfare programs that aid the poor and lead them to more productive lives.

Goodin, on the other hand, argues not only in favor of one kind of state-sponsored social welfare (non-discriminating) and against another (punitive), but explicitly argues that the notion of dependency which lies at the core of Schmidtz's tragedy of the commons is little more than a play on words. What do we really mean, he ask us, by welfare dependency, and why should it have a negative connotation? Is dependency necessarily something bad and self-reliance necessarily something good? We depend, after all, on drivers to stay on their side of the road, on family and friends for moral support, on banks to safeguard our money, and so on. 'What crucially differentiates unobjectionable dependencies from objectionable ones in the view of critics of welfare dependency', Goodin concludes, is just 'the moral appropriateness of relying on some things (such as family and friends, social conventions, and natural forces) compared with the moral inappropriateness of relying on others (such as public assistance, at least when you do not have to)' (p. 122). (Similarly, the 'self' in 'self-reliance' is problematic for Goodin. Again, he argues, that what people mean by 'self-reliance' is really 'appropriate reliance', where it is not clear how one chooses what is appropriate.)

The interesting point that Goodin raises, and one that many in the debate have not considered, is that 'moralizing the definitions [of dependency and self-reliance] prevents them from doing the work that

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those deploying them want them to do in their arguments' (p. 139). While there may be moral arguments as to why some dependency is good and some is bad, the moralization of 'dependency' undercuts its power to provide any independent leverage. Goodin himself finds no compelling moral arguments against state dependency. I suspect others might. In either case, Goodin argues convincingly that proponents of civil society 'need some analysis of why dependency on the market or on the family is morally acceptable, in a way that dependency on the state is not. Furthermore, that analysis needs to explain why depending on the state for some things (like security against assault or invasion) is permissible, whereas depending on the state for other things (like security against starvation) is not' (p 141).[1]

While Schmidtz does not confront Goodin's challenge head on, he clearly lays out an argument against a particular kind of dependency – not because dependency is bad *per se* but rather because this particular dependency hurts the dependents. This dependency, he argues, creates the tragedy of the commons that leads to more poverty, misery and hopelessness. Who could look at the single mother raising her children in the rat-infested and drug ridden Chicago housing projects in fear of stray bullets and not question a system that creates *this* kind of dependency? Schmidtz would quickly agree with Goodin that some welfare mothers today have no other options (why else would the single mother stay in the projects?), but his more fundamental hypothesis is that this may well be the result of state-sponsored welfare institutions that have eroded civil society. 'We should keep in mind . . . that when a government jumps in to fill what appears to be a vacuum, it sometimes is crowding out the processes that actually fill the gap' (p. 71). If he is right, one cannot look at the welfare mother in Chicago and ask: what would she do if she did not at least get her food stamps? Schmidtz suggests that, were it not for the food stamps, she might have a husband, a job or a local community ready to help. The word 'tragedy' in the tragedy of the commons no longer seems like an overstatement if that is correct.

But ultimately Goodin dismisses the tragedy of the commons model and its implications altogether by dismissing the notion that those who end up on social welfare make choices in the way that this model assumes. Again and again, he almost ridicules the notion that individuals can actually plan for the future, and that incentives might play the role that Schmidtz ascribes to them in his tragedy of the commons. Referring to the poor, Goodin states that 'typically they were not thinking far enough ahead about the catastrophes that eventually befell them to

[1] Note that this gets us right back to the public goods model – Goodin implicitly views 'security from starvation' as a public good much like 'security against invasion'.

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be influenced by the prospect of public assistance as a fallback' (p. 131). Furthermore, they 'simply do not – and are in no position to – plan their own futures with any degree of precision at all. . . . To accuse them of a failure to take ''personal responsibility'' for their welfare is to ascribe to them a measure of control over their own lives that they can only wish that they actually enjoyed' (p. 133).

Schmidtz, of course, does not disagree but rather asks why such people do not in fact have more control? Are we to believe that there is a certain segment of the population that is incapable of planning, that is destined to be poor and that must therefore be made a ward of the state? Goodin, at times, sounds like he believes this to be the case. Schmidtz rejects such determinism and suggests that the state system has thrown out the baby with the bath-water – and has weakened in some the urge to take charge of their life by making it possible not to. Once again, a difference in emphasis, not in the logic of the argument, makes all the difference in how one sees the world.

Finally, Goodin does not dismiss all individual responsibility, and he clearly dissociates himself from various types of pernicious collectivist ideals from the last century. But when he makes his argument in favor of 'moral collectivism' (which he defines as 'the collectivization of responsibility, morally, for one another's well-being' (p 146)), he subsumes the assigning of individual responsibility into the broader framework of collective responsibility. It is consistent, he thus argues, with this notion of moral collectivism to assign 'responsibility to individuals themselves, not because doing so is good in itself, but merely as a means to discharging our shared collective responsibility' (p 147). Again, Schmidtz and Goodin appear close to one another, with Schmidtz explicitly not arguing against collective responsibility within a civil society context and Goodin finding a place for individual responsibility within his moral collectivism. If, as Schmidtz asserts, state-sponsored social welfare does indeed result in the destructive tragedy of the commons he describes, then Goodin's moral collectivism ought to drive one precisely to the same conclusion Schmidtz has reached – moral collectivism then demands the assigning of individual responsibility within a civil society.

But this is also where the two different models once again come into play, with Goodin emphasizing one and Schmidtz the other, and this lays out the overarching theme of the book. Two individuals who both agree that institutions are required to ensure the social welfare of the least advantaged fundamentally disagree on what those institutions ought to look like. Their disagreement is an honest one and lies in the different emphasis each side gives to ideas which both agree are valid in the abstract. Readers that are looking for an airing of the current public policy debate, however, may be disappointed. This is not a book about whether Aid to Families with Dependent Children (AFDC) is better than

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its replacement, whether state or federal governments ought to have more control over social welfare or whether some groups should be eligible while others should not. Rather, it is a book that steps back further and challenges the reader to explore the role of government and civil society, collective and individual responsibility and the interaction of all of these. I therefore recommend this book wholeheartedly to anyone who is seeking to understand better both why we do not seem to be taking care of the poor as well as we think we should and those who are concerned about doing better.

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What We Owe to Each Other, T. M. Scanlon, The Belknap Press of Harvard University Press, 1998, ix + 420 pages.

T. M. Scanlon's long-awaited, wide-ranging, and monumental work deserves to attract close attention from all philosophers and economists interested in moral theory and practical reasoning. Scanlon will rightly be viewed as heir to Rawls's contractualism and as extending it beyond its original concern with distributive justice. His goal is to provide a contractarian account of the significant portion of morality that concerns what we owe to each other. In Scanlon's hands this contractualist program rests on the idea of reasonable rejection rather than the idea of rational choice behind the veil of ignorance. Since he explains the reasonable in terms of reasons, we propose to consider Scanlon's novel account of reasons.

Many philosophers and economists who write about reasons explain them in terms of desire. Typically these thinkers have little to say about what a desire is, in effect taking the idea of a desire as primitive in their theories. But Scanlon quite rightly thinks that the idea of a desire needs much more attention than it usually gets. He finds the idea of a reason less problematic. He therefore follows the strategy of taking the idea of a reason to be primitive. Astonishingly, he explains desire in terms of reasons rather than vice versa.

Scanlon tells us that 'Desires are commonly understood in philosophical discussion to be psychological states which play two fundamental roles. On the one hand, they are supposed to be motivationally efficacious: desires are usually, or perhaps always, what move us to act. On the other hand, they are supposed to be normatively significant:

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when someone has a reason (in the standard normative sense) to do something this is generally, perhaps even always, true *because* doing this would promote the fulfillment of some desire which the agent has' (p. 37). In this way, desires can justify action. Scanlon has come to believe that desires can play neither of these roles. They neither motivate nor justify. Thus, Scanlon is attacking two central Humean tenets about action that have received wide acceptance from philosophers and economists.

The first is the idea that desires motivate action. Humeans have traditionally thought that human psychology involves at least two crucially different sorts of states. One of these has as its aim to get the world right, to accurately reflect the way things are. These are beliefs. The other kind of state, as David Hume put it, has no 'representative quality, which renders it a copy of any other existence or modification' [*Treatise*, p. 416]. This latter kind, many have thought, does not aim to describe the way the world is, but rather depicts the way one wants the world to be. These are desires. Hume thought that beliefs are motivationally inert and that desire is needed in order to move us. But as we will see, Scanlon thinks that desire involves a cognitive element, something like a belief, and that it is only because of this latter element that desires can move us. This is a broad, bold claim since it turns on its head the standard Humean view about the motivational relevance of belief and desire.

The second Humean doctrine, the idea that desires justify action, is a view that underlies a great deal of theorizing about normative or justifying reasons, both in moral theory and in the theory of rational choice. Scanlon tells us that he himself used to think that desires ground reasons, that a person with a desire has a reason to do whatever would promote its fulfillment, other things being equal. He says he never held that all reasons are based in desires, but he did think that desires are at least one source of reasons (p. 7). This view has been very widely accepted to the point that Scanlon calls it a 'truism' (p. 37). It is intuitively quite plausible. For example, if I desire some coffee ice cream, then, other things being equal, surely I have a reason to have some. Scanlon is committed to denying this, however. He holds that 'it is almost never the case that a person has a reason to do something because it would satisfy a desire' (p. 8).

Scanlon thinks that Humeans have been quite mistaken in their understanding of the nature of desires. Perhaps the most familiar theory of desire is a contemporary functionalist account according to which desires are dispositional tendencies of a certain kind. On this view, for example, the desire for coffee ice cream would be viewed as a disposition to seek coffee ice cream, to notice it when it is available in ice cream stores, to eat it, to think about it, and so on. Apparently Scanlon takes it

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that the dispositional understanding of desires is his opponent's best option, as he focuses on it as the main alternative to the directed-attention view. He characterizes dispositional accounts as treating a desire as a 'mere urge to act, separated from any evaluative element' (p. 38). This characterization is oversimplified, as the example of a desire for ice cream suggests, but it is correct that dispositional views do not see any evaluative element as being constitutive of desire. Scanlon argues that bare dispositional tendencies are (1) not what we typically think of as desires (2) only rarely the kind of thing that moves us to action, and (3) unable to rationalize or justify action.

The argument features Warren Quinn's 'example of a man who feels an urge to turn on every radio he sees. It is not that [the man in the example] sees anything *good* about radios' being turned on; . . . he is simply moved to turn on any radio that he sees to be off' (p. 38). If we construe this urge as a mere behavioral disposition, then, says Scanlon, (1) we would not describe the man as having a 'desire' to turn on radios. He does not want to turn on radios. He sees nothing good in doing that. He just finds himself impelled to turn on radios. Moreover, says Scanlon, (2) we could not explain his turning on the radios in the way relevant to explaining actions (qua intentional) by citing such a disposition. In Quinn's example, the man feels impelled. He does not see anything attractive in turning on radios. Finally, (3), the existence of the urge, if understood as a mere behavioral disposition, hardly gives the man a genuine justifying reason to turn on radios. To Scanlon, Quinn's example shows that to see the man with the urge as *desiring* to turn on radios, we must suppose him to see something *desirable* in turning on radios.

Scanlon thinks that the notion of a desire 'needs to be understood in terms of the idea of taking something to be a reason' (7–8). Rather than explain reasons in terms of desires, Scanlon takes the idea of a reason to be primitive (p. 17). For Scanlon, desiring something involves a 'tendency to see something good or desirable about it'. He says, 'A person has a desire in the directed-attention sense that P if the thought that P keeps occurring to him or her in a favorable light, that is to say, if the person's attention is directed insistently toward considerations that present themselves as counting in favor of P' (p. 39). Scanlon thinks that desires in the directed-attention sense can motivate, but only thanks to the fact that they necessarily involve taking something to be a reason (p. 41).

Intuitively, to have a desire is not merely to be disposed to choose, and it is not necessarily to have a tendency to judge that there is a reason to act. It is rather to be 'drawn' to something, or to find something 'attractive'. Scanlon seems to over-intellectualize this in thinking of it as a kind of judgemental element in desire. It seems to us that an insistent thought, involving an insistent drawing of attention to reasons, need not

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be involved in desire. Infants and many of our pets have desires. Further, there are unconscious desires. There are desires of which we are calm and confident. My desire to go home at the end of the day involves no insistent drawing of my attention to the pleasures of the hearth. Scanlon's examples of desire are examples of pressing and insistent cravings, such as the desire to taste some coffee ice cream (p. 44) or the desire to buy a new computer that manifests itself in a craving to read the daily computer advertisements in the newspaper (p. 43). But these are special cases of desire and not the ordinary kind of desire.

Desires in the directed-attention sense still lack normative significance, Scanlon thinks. That is, in Scanlon's language, desires are not 'original sources of reasons' (p. 45). One component in a desire that P (in the directed-attention sense) is a thought that some consideration counts in favor of or gives a reason for P. For Scanlon, this thought must be either true or false. If it is false, then of course it is false that the consideration gives us reason to P. If it is true, then we do have a reason to P. But in neither case is the fact that we have the desire for P giving us a reason. Nor is it the fact that we think that some consideration counts in favor of P that is giving us a reason. The source of the reason, in the case in which we have one, is the consideration that counts in favor of P. For example, for Scanlon, the important issue about buying a new computer is whether we would benefit from having a new computer rather than whether we want one. If we would benefit, it is those benefits that provide the reason. If we would not benefit, we have no reason to buy a new computer, except, possibly, an indirect reason to get rid of the nagging desire (p. 44). Even in this case, it is not the existence of the desire that gives us a reason but rather the fact that buying the computer will restore psychological equilibrium. Scanlon allows that there might be a trivial exception to his view in that unmotivated minor whims, cases in which one 'just felt like' doing something, might provide minor original reasons (p. 48).

Although Scanlon denies that desire is an 'original source of reasons', he does want to allow that 'one's "subjective reactions" are obviously of prime significance to the reasons one has' (p. 42). So, for example, he is keen to allow that the fact that I will enjoy coffee ice cream can ground my having a reason to get some (p. 44). Scanlon does not explain what enjoyment is, but his discussion makes clear that it is neither supposed to be something cognitive nor in the camp of desire. He might understand enjoyment as simply the experiencing of a specific kind of tingle. But if this is his idea, his claim that enjoyment is an original source of reasons seems suspect. Why would we have a reason to experience a certain kind of tingle if that tingle was not something towards which we have a positive attitude? Why pick on this tingle as a source of reasons rather than the tingle associated with 'pins and

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needles'? It seems clear that some people might prefer a different kind of tingle. Scanlon might agree that 'enjoyment' is a tingle that one favors. But either way, he seems to have failed to make sense of the obvious thought that I have a reason to eat coffee ice cream without appealing to my appetitive pro-attitudes. Scanlon's attempt to allow subjective conditions as original sources of reasons by invoking enjoyments seems to be plausible only if enjoyment brings back in the appetitive element in desire that Scanlon was hoping to do without.

We have focused our review on a relatively small part of Scanlon's overall theory. But if our concerns about his account of reasons are correct, this will resound throughout Scanlon's moral theory. People disagree about what justice or morality requires. Philosophers hope to provide a test that will determine which putative moral principles are authoritative. The distinctive contractualist approach is to design a test that certifies principles on the basis that they would secure a kind of unanimous consent of people in a hypothetical situation. The obvious problem is that if, contrary to Scanlon's view, people's private and disparate concerns give them reasons to withhold their consent, then there seems little prospect for securing what, for Scanlon, plays the role of the needed unanimity. That is, there would then seem little prospect that any interesting principles will emerge to which no one could reasonably object.

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Ruling Passions: A Theory of Practical Reason, Simon Blackburn. Clarendon Press, 1998, 344 pages.

In *Ruling Passions*, Simon Blackburn defends his Humean expressivist moral theory known as *quasi-realism*. He is concerned with the metaethical issues of the ultimate justification of moral judgements. *Ruling Passions* is of interest primarily to those who work in the foundations of moral theory, nevertheless, there are important arguments that will also interest theoretical economists and rational choice theorists.

Blackburn's project is creating an ethical theory compatible with naturalism. According to Blackburn, naturalism rejects 'appeals to mind or spirit, and unexplained appeals to knowledge of a Platonic order of Forms or Norms; it is above all to refuse any appeal to a supernatural order.' (pp. 48–9). He does not offer this as an exhaustive characterization,

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but he wants to show how objective (i.e., non-relativistic) ethical claims are consistent with science's cold-hearted understanding of the world. The question is, 'How does morality seep into the material world?'.

Blackburn's answer is that persons create morality by the activity of valuing. But he must distinguish his answer from a merely sociological/anthropological one that explains moral discourse but leaves the world without any genuine morality in it. It is simple to say that when someone makes an ethical claim, for example, that kicking babies for fun is wrong, she is just making the descriptive claim that she (or, perhaps, her culture) disapproves of such an activity. It sounds like a moral claim, but it is just a motivationally inert *description* masquerading as a genuine reason for action. A sheep in wolf's clothing. To solve the problem, Blackburn asserts that the ethical claim *expresses* the speaker's disapproval, as opposed to *describing* it. Quasi-realism is a variety of expressivism, namely, emotivism or projectivism.

Emotivism is traditionally considered to be the paradigm example of an anti-realist ethical theory – denying that ethical claims can be true or false, denying they express moral facts. Quasi-realism supposedly establishes that moral facts exist, and that some ethical claims are true. One is tempted to say that quasi-realism allows us to speak *as if* there were moral facts and ethical claims were true. But Blackburn explicitly rejects this interpretation, saying that quasi-realism implies more. This serves to distinguish quasi-realism from anti-realism, but what distinguishes it from realism? Blackburn's theory is not realist because there is nothing that *constitutes* moral facts. Indeed, much of *Ruling Passions* is appropriately devoted to a rejection of alternative realist accounts of what does constitute moral facts.

Blackburn's primary task is to demonstrate that there is room for a coherent ethical theory between traditional realism and anti-realism. To assess his success, I will focus on two questions. First, can quasi-realism avoid being relativistic? Second, can Blackburn maintain that instrumental rationality is not a transcendent action guiding principle? I turn now to the first question.

Blackburn regards relativism as a serious threat to his view. If quasi-realism implies moral relativism, then it is an inadequate theory. To answer the charge of relativism, Blackburn does not reject the metaethics that underwrites relativism, but rather attempts to explain why the conclusions commonly associated with relativism do not follow from this metaethics. In particular, he attempts to justify using an objectivist moral language despite the apparent inappropriateness of doing so given his metaethics.

To begin, I shall use the same analogy as Blackburn. The relativist says that arguing about ethics is like arguing whether a vase of flowers appears in the mirror in an empty room. The question makes sense only

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from a particular perspective, which in ethics is a set of values. Of course, once one sees the error in arguing about whether the flowers appear in the mirror, one will presumably stop arguing about it (and, importantly, one will stop trying to discover the answer on one's own). It would be silly not to, because there is nothing to argue about. But it is not so simple to abandon ethical discussion and deliberation, and Blackburn does not want to. But can he avoid the claim that continuing to think about ethics is silly?

The flowers analogy is helpful because where you stand in the room determines whether the flowers are in the mirror, just as which values you have determine whether you perceive an action as right. There is no privileged place to stand in an empty room, just as there is no metaphysically privileged set of values according to Blackburn. So let us say that you and I are standing in the room with the mirror and the flowers. From my perspective the flowers appear in the mirror, from yours they do not. It is silly for me to argue with you by saying that objectively speaking the flowers do appear in the mirror. But it is not obviously silly to try to convince you to walk over to where I am standing (or analogously, to change your values). This is Blackburn's picture for ethical discourse where people's values really do differ. Of course, if there is no inherently better place to stand then our attempts to convince each other to move will be just so much power politics and relativism would seem to win. But Blackburn says that there *are* better and worse values to have! But what *constitutes* this betterness? The answer depends on your perspective, which you cannot rise above. Blackburn cannot satisfy moral realists here, because nothing constitutes the objective goodness values. But he has more to say to avoid relativism.

Blackburn claims that even if there is no transcendental standard of values, we do not need to feel a 'sense of loss'. Things can go on as before with ethical arguments. What distinguishes Blackburn from the relativist is his unwillingness to make first-order (practical) moral inferences from his metaethical position. So appending 'that is just my opinion' to an ethical claim does not imply that one should not impose that opinion on others, because the 'just' does no work. The purported mistake of the relativist is taking his theory *about* ethics to imply a stance *within* ethics. In quasi-realism, the metaethics becomes entirely inert. We are left making ordinary ethical claims based on our values. And we can preface these claims with phrases like 'It is an objective fact that' without affecting their meaning.

In an obvious sense Blackburn is right that ethical discussion can go on. The consistent relativist does not say 'There is nothing to argue about in ethics, so don't argue about ethics'. She says something more like 'There is nothing to argue about in ethics so who gives a damn what you do', or more likely, '. . . so do what I want you to'. There is no prohibition

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against moralizing, and no reason to feel silly if by moralizing you are pushing your own agenda (i.e., values) and making progress. It *would* still be silly to wonder if you are making a mistake in pushing your own *consistent* agenda. So we may feel a sense of loss in respect of our reflections on our own values. Blackburn argues that one can question one's own values by holding some subset of those values fixed and using that fixed set to evaluate the others. However, I might worry that I have the wrong set of coherent values and Blackburn seems to admit that this intuitively makes sense. The problem is that he cannot make any sense of what it is that I would be worried about and so his theory seems inadequate here.

Ultimately there *is* a sense of loss from accepting quasi-realism. Just as I want my beliefs about the empirical world to reflect what is actually the case, I want my beliefs about values to reflect what is actually valuable. I want ethical questions to be *unlike*, 'Do the flowers appear in the mirror?' and 'Are there flowers in the room?'. People with different perspectives will dispute even the second question, but, unlike the first, there is an objective answer to it. In both cases, when we argue, I will try to get you to change your perspective. But in the latter case it simply helps you see the answer, but the answer does not depend on perspective. Quasi-realism must embrace the idea that ethical questions are like the question about flowers in the mirror. So Blackburn simply tries to make us more comfortable with the fact that the analogy does hold. His attempt to make anti-realism palatable comes closer than any other, but remains unsatisfying.

The second major issue I shall address is that in order to avoid being a realist, Blackburn must maintain that there are no 'transcendent' *normative* principles. I say 'normative' instead of 'moral' because Blackburn's claim includes non-moral action guiding principles like those of rational self-interest. So he must claim that the principle of instrumental rationality is not a 'rule of reason'. This principle claims: *An agent should always perform the action that will maximize the satisfaction of his concerns*. In other words, *Maximize your utility!* It is a normative principle. Blackburn claims that agents maximize their utility, but that this is definitional, so he appears to reject the principle of instrumental rationality. However, he ends up accepting it, only not as a rule of reason. Blackburn devotes two chapters to addressing the role of self-interest and instrumental rationality in ethics. He identifies three different principles regarding utility maximization: descriptive (psychological egoism), normative (instrumental rationality), and definitional. I shall briefly discuss the first two, and then focus on the definitional principle (as he does).

In Chapter 5, Blackburn first argues convincingly that psychological egoism is false. There is no choice-independent definition of utility such that people always try to maximize it. Utility maximization is a woefully

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inadequate *descriptive* theory, as is commonly accepted. In the final section of Chapter 5, Blackburn argues that instrumental rationality is also an unappealing *normative* principle. Not only do people not strive solely to maximize their utility, they are better off not doing so. Blackburn's critique is that the principle of instrumental rationality fails on its own terms and that following its advice will prevent an agent from achieving its own goal of maximizing the agent's utility.

The Chapter 5 criticism of normative egoism is seriously flawed. Blackburn rightly notes that if one always uses egoism as a direct decision procedure, then one will fail to maximize utility. However, just as the failure of direct utilitarianism as a decision procedure does not imply that it is an unacceptable or uninteresting normative theory, this failure of normative egoism is hardly conclusive. The egoist can appeal to the same types of subtleties that the utilitarian can. For example, the egoist could appeal to a two-level theory similar to Hare's utilitarianism, that is, prescribing that agents ordinarily attend to a variety of first-order concerns, and yet provide circumstances under which they should appeal to the second-order concern maximizing their utility. Blackburn may have more of an argument in mind here against the normative interpretation, but it is inadequate as currently stated.

Blackburn focuses on defending what I shall call the definitional hypothesis: '*Agents maximize utility* is true by definition'. The definitional hypothesis implies that the principle of instrumental rationality and game theory fail to provide any normative prescriptions. The definitional hypothesis is committed to the principle of revealed preferences (*Revpref*) and Ramsey's definition of utilities (*Util*).

> (*Util*) A utility function is defined such that the expected utility of *a* is at least as great as that of *b* if and only if *a* is weakly preferred to *b* (i.e., preferred to *b*, or at least as much as *b*). Such a function can be defined over a set of options if preference satisfies two consistency conditions: for all outcomes *a*,*b* either *a* is weakly preferred to *b*, or *b* to *a* (totality), and if *a* is weakly preferred to *b*, and *b* to *c*, then *a* is weakly preferred to *c* (transitivity).

> (*Revpref*) Choice behaviour is primitive. If a player makes choices, then he or she is making choices as though he were equipped with a preference relation which has that choice preferred to others, in the light of what else he believes about the situation. An eligible agent is always interpretable as though he were seeking to further a preference. (p. 164)

To be precise, Blackburn is endorsing *Revconc* instead of *Revpref*, which is just like *Revpref* except that it uses the broader concept of an agent's concerns instead of the potentially misleading concept of preferences. He would agree that a sufficiently broad understanding of preferences, which many theorists employ, would make *Revpref* and *Revconc* identical. As a result, and because Blackburn reverts to talking about preferences

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for simplicity, I shall use the term *Revpref* in what follows, though I mean it to be identical to *Revconc*.

If the definitional hypothesis is true, game theory cannot provide any guidance since an agent's utility function is determined by her preferences, which are in turn determined by the agent's actual choices. An agent's doing what appears to be irrational is really just evidence that her preferences were different than expected. Indeed, one should say that her preferences were not even well defined prior to her action. If we do not even have preferences prior to our actions, then certainly instrumental rationality can provide no advice. But then practical reasoning makes no sense at all, because one literally has no preferences prior to one's action. Blackburn notes that there is a 'speed limit' on how quickly preferences can change, and this provides some definition of preferences prior to action. So, we seem to have 'fuzzy' preferences prior to our actions. Perhaps that is enough to base practical reasoning on. But then *Revpref* does not reign supreme because it cannot contradict those preferences. (Another possibility is that an action implies that the agent is 'ineligible', but this presents its own problems which space prohibits discussing here.)

Blackburn believes that some preferences exist prior to action because he claims that an agent should try to improve his own moral beliefs. But, in that case, he must be committed to some kind of normative force from instrumental rationality. On page 318, Blackburn answers a question about how an agent could judge that her own moral beliefs are mistaken. To maintain that his position is close to that of the realist, Blackburn must make sense of our suspicion that our own moral beliefs (i.e., values) may be in error. He does so by claiming:

> Well, there are a number of things I admire: for instance, information, sensitivity, maturity, imagination, coherence. I know that other people show defects in these respects, and that these defects lead to bad opinions. But can I exempt myself from the same possibility? Of course not (that would be unpardonably smug). So I can think that perhaps some of my opinions are due to defects of information, sensitivity, maturity, imagination, and coherence.

In other words, Blackburn claims that he prefers his opinions to be based on good information, sensitivity, etc., and that the best means of achieving this is by examining his opinions for mistakes due to shortcomings in those areas. This mean-ends reasoning is surely correct, but it also admits the normative force of instrumental rationality. Blackburn also implicitly acknowledges here that preferences (e.g., for being mature) exist prior to the act of reevaluation of my opinions, and that the act of reevaluation is justified by the fact that it is the best means of maximizing my utility (i.e., the satisfaction of my existent preferences).

Once Blackburn admits both that there are preferences (even fuzzy

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ones) prior to action and that they justify an action, he is committing himself to using the normative principle of instrumental rationality. One is therefore tempted to say to Blackburn: 'I've got you now. You are using the principle of instrumental rationality to justify your actions. So you must admit that it is a normative principle'. This is right, but it is not yet a problem for Blackburn. He can say that the principle has normative force, but not because it is an objectively valid principle of reason. Rather, it has normative force for him because he has adopted it as a principle on the same footing as his other commitments. Blackburn would explain the quote above by saying that he can evaluate a subset of his commitments by holding the rest constant and judging the subset on the basis of those held constant.

That may sound plausible, but I do not see how Blackburn can maintain that the principle of instrumental rationality does not occupy a privileged place among one's concerns since one cannot rationally evaluate that principle without an appeal to that same principle. In other words, assume that an agent has any collection of concerns at all, minus instrumental rationality. On what basis could she decide to accept or reject a concern for instrumental rationality? It could not be rejected on the basis that accepting it would thwart the satisfaction of one's other concerns, for that implicitly appeals to instrumental rationality. Perhaps Blackburn might claim that the principle of instrumental rationality is a different kind of concern, in that we cannot justify rejecting it or live without it (at least not for long), but that nevertheless it is not an a priori principle of reason. But there is nothing more to an a priori principle of reason than that it is necessary to one's life and that it is impossible to justify rejecting it. Without instrumental rationality, we could not choose anything on the basis of our other concerns, and we certainly could not justify rejecting the principle of instrumental rationality. Ultimately, the principle of instrumental rationality *must* be accepted as a 'transcendent' rule of reason, and this may force Blackburn into the realist camp (to some extent at least).

Despite these difficulties, Blackburn's book is an important contribution to the field. It is worth noting how remarkably ambitious his project is. His goal is nothing less than to justify our employment of objective moral judgements while, at the same time, explaining how morality can be understood as a part of our naturalistic world. Either aim would be daunting, but their combination makes the task exponentially more challenging. Blackburn's compelling criticisms of the major alternatives to his own view, together with the subtlety of his own position, demands that quasi-realism be recognized as one of the most plausible metaethical theories.

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