and public choice theory, economists know that policy has (at least in principle) to be considered endogenous, which together with the notion of reflexivity implies that performativity is part of the process whereby theories are assessed. However, because economists have chosen to assume that private activities are generally efficient (driven to it by competition) they do not think of themselves as showing how private activity can be improved by economic theory. Through applying performativity to private economic activities, MacKenzie is reminding economists that relationships they have thought of in relation to government activities actually have much broader implications. How broad those implications might be depends on the extent to which financial markets are unusual. Hence the importance of looking inside the black box of performativity.

Roger E. Backhouse
University of Birmingham

REFERENCES

Backhouse, R. E. 2007. Representation in economics. In *Measurement in economics: A handbook*, ed. M. Boumans, 135–52. Amsterdam: Academic Press.
Bernstein, P. 1992. *Capital ideas: The improbable origins of modern Wall Street*. New York: Free Press.
Keynes, J. M. 1973 [1936]. *The general theory of employment, interest and money. The collected writings of John Maynard Keynes*, Vol. VII. London: Macmillan.
Mehrling, P. G. 2005. Fischer Black and the revolutionary theory of finance. New York: John Wiley.
Stiglitz, J. E. 2002. *Globalization and its discontents*. London: Allen Lane.

doi:10.1017/S0266267108002319

The Moral Consequences of Economic Growth, by Benjamin M. Friedman. Knopf, 2005, x + 570 pages.

Why are contemporary societies and their governments so preoccupied with economic growth? The standard answer points to individual preferences for increased material well-being. Suppose you have succeeded in detaching yourself from the consumerist mainstream, and this reasoning therefore leaves you unconvinced. Are there any other reasons to advocate growth? Benjamin Friedman thinks so. In his book, *The Moral Consequences of Economic Growth*, he argues for the bold claim that "the value of a rising standard of living lies not just in the concrete improvements it brings to how individuals live but in how it shapes the social, political, and ultimately the moral character of a people". (4) If growing economies lead to more open and tolerant societies than stagnant economies, then, so Friedman argues, governments should promote economic growth over and above the growth rate produced by the private sector.

Though Friedman does not explicitly make the distinction, his argument in effect comes in two complementary versions. The *conceptual* thesis stipulates a connection between people's evaluation of their material well-being and their propensity to vote for, or accept, social reforms towards a more open and tolerant society. The conceptual thesis, as well as some of its predecessors advanced by Enlightenment thinkers like Smith and Turgot, is presented in Part I of the book. What I will call the *historical* thesis aims to underpin this conceptual claim by verifying whether the correlation between growth and "moral progress" as well as between stagnation and "moral regress" in fact holds for nineteenth and twentieth century history. Parts II and III examine this thesis for the case of the USA and, in somewhat less detail, for Britain, France and Germany. The remainder of the book serves two additional objectives. In Part IV, Friedman anticipates a number of potential objections to his position by spelling out his views on the relation between growth and issues such as democracy, equality, and the environment. Finally, Part V, which consists of a single chapter, formulates a series of policy recommendations for the USA that follow from Friedman's position.

My objectives in this review are necessarily limited. To a philosopher, the claim that economic growth might have "moral" consequences is somewhat baffling. My main goal, therefore, will be to unpack what Friedman means by "moral" consequences and, through this lens, to shine a critical light on several aspects of his argument. Posing this question naturally leads me to focus on the conceptual thesis and on Friedman's discussion of potential objections, though I will also touch upon some methodological issues concerning the historical thesis, not least because the latter takes up almost half of the book. The following comments are organized around four questions: (1) How exactly does economic growth favour open and tolerant societies? (2) Is Friedman's label of "moral" consequences appropriate for the effects of growth that he describes? (3) Are his replies to potential objections convincing? (4) Might there be an alternative hypothesis that explains the historical evidence Friedman cites and that is compatible with his conceptual thesis? Let us look at these questions in turn.

"What matters" for growth to have the stipulated effect, Friedman tells us, "is how rising incomes shape the perspective and attitudes of those who earn them, and their families, and how the resulting impact on enough individuals' attitudes in turn brings about change in a country's political institutions and social dynamics" (80). Although people's evaluation of their *material* well-being represents only one determinant of their happiness, it plays a pivotal role in this context. Psychological work has established the plausible ideas that people's satisfaction depends less on the level of their income than on how their income is changing, and that they react differently to the prospect of gains as opposed to losses.

Against this background, Friedman stipulates that people evaluate their material well-being against two benchmarks: their own past experience and the levels of well-being of the people around them. Notice that this in itself does not yet constitute an argument for growth, because *prima facie* it is hard to see how both criteria can be satisfied simultaneously. If the benefits of growth are unequally distributed, some will have the justified impression of falling behind compared with others; if growth raised all boats equally as it were, people's relative position will remain unchanged. Friedman is aware of this challenge. Here is what he offers us as the missing piece for an argument for growth. "When an economy stagnates", so he claims, "the importance people attach to living better than others against whom they naturally compare themselves is more intense" (92). In other words, "keeping up with the Joneses" is the *relatively* more important benchmark during economic downturns, while one's past experience is *relatively* more important during periods of growth. This surprising claim calls for two comments. First, do we observe this pattern of substitution between the two benchmarks in practice and, if so, what would be the explanation for this phenomenon? Friedman does not answer these questions. Second, and perhaps more fundamentally, Friedman's analysis of how people evaluate their material well-being leaves open the possibility that it is not actually economic growth that promotes openness and tolerance but something else. My fourth comment below will come back to this issue.

Can Friedman's historical thesis make up for these shortcomings of the conceptual thesis? Could Friedman's demonstration that economic growth correlates with reforms towards a more tolerant society historically serve to underpin his controversial assertion about how people evaluate their material well-being? In principle, it might at least strengthen his case. In practice, however, the historical thesis itself suffers from an important flaw. Friedman's use of historical analysis, irrespective of the many insights it provides, is rather unusual. Historians are loath to generalize insights across particular cases for fear of obscuring the specific aspects that differentiate them. Friedman implicitly recognizes the danger of historical generalization by highlighting the instances, like the New Deal under Franklin Roosevelt, that do not conform to his thesis. And yet, practically at the end of each of his country-based case studies, he concludes that although other determinants of how a society evolves exist, the development of citizens' incomes clearly is an important one (see for instances pp. 196–97, 214, 242 and 294). For a historian to overcome her aversion to generalization and to accept this conclusion, a lot more would have to be said on the relative importance those other determinants of social history have had in the cases Friedman analyses. To cite just

https://doi.org/10.1017/S0266267108002319 Published online by Cambridge University Press

one example where the role of economic factors in determining the trajectory of a society seems smaller than Friedman suggests, consider the example of Germany (chapter 11). Friedman identifies four periods in modern German history that, according to him, confirm the positive effect of growth on social legislation and character: unification and the early empire (1871–75), federal republic (1949), the Brandt reforms (1969–74), and reunification (1989–90). For all of these but the Brandt reforms, a plausible historical case could be made that economic factors represented only one influence among others on the trajectory of German society during the periods in question. From a historical perspective, Friedman has to take these kinds of counterexample to his hypothesis more seriously.

Let me turn to the second question formulated at the outset. If, for argument's sake, we accepted Friedman's conceptual or historical thesis or both, are the consequences of economic growth he points to adequately described as "moral" consequences? As we shall see, this is more than a mere terminological question. Notice that there are two basic ways in which Friedman's hypothesis might be interpreted. One possible claim stipulates a positive effect of growth on the moral beliefs of individuals and their behaviour. The other possible claim is institutionalist, and states that a growing economy tends to make for a more just society in terms of the formal and informal norms that act as constraints on individual choices. Obviously, combinations of the two are also possible. Friedman's hypothesis, as I understand it, primarily amounts to an institutionalist claim. Friedman specifies that "people in a growing economy will be willing to accept enhanced mobility, and they are willing to accept measures like anti-discrimination laws, or special education programs for children from low-income families, designed to make actual mobility greater" (87). It is not that economic growth turns sinners into saints, but that people are more willing to accept constraints on their choices when their standards of living are rising. In other words, it is easier to distribute the gains from a growing cake than the losses from a shrinking one.

I would like to mention two caveats here, both of which call into question, or at least qualify, the labelling of the consequences of growth as "moral". First, even if one admits that it is easier to distribute the gains from a growing cake, what guarantee do we have that this distribution will be just? In recent years, many industrialized countries have experienced periods of growth at the same time as increases in income inequalities that might be considered unjust. Could one not use Friedman's observation about individuals' willingness to accept constraints on their choices to argue that it is precisely the backdrop of growth that permits more regressive tax and spend patterns and thereby an *un*equal distribution of the extra wealth? In fairness to Friedman, it should be emphasized that his book is not an unqualified ode to growth, and that he explicitly condemns configurations of growth whose benefits are not broadly shared. And yet, the possibility of unequally shared growth is real. In such instances, the consequences of growth can hardly be described as moral. I will come back to this point.

Second, as the above quote (p. 87) illustrates, the consequences of economic growth that Friedman focuses on are "moral" not in the sense that they modify our conception of a just society, but in the sense that they facilitate the implementation of an already existing ideal of justice. In other words, Friedman claims that the *feasibility* of promoting our ideal of justice increases against a backdrop of growth. This focus on feasibility constraints is certainly important. It is especially welcome given the fact that political philosophers often neglect feasibility constraints that render the prospect of implementing their respective theories of distributive justice very remote. However, feasibility constraints are usually considered to fall into the realm of the political rather than the moral. From this perspective, Friedman's book should have been entitled *The Political Consequences of Economic Growth* instead.

In Part IV of the book, Friedman anticipates a number of objections his argument is likely to provoke. This leads me to my third question, and a critical evaluation of Friedman's replies to three critiques in particular. First, despite some important exceptions like China, it is hard to deny the correlation between economic growth and open, tolerant democracies. However, who says that the causation runs one way rather than the other? Why buy Friedman's hypothesis rather than the rival, or at least complementary, position that democratic societies thanks to their open and tolerant institutions tend to foster growth? Friedman's answer to this question is spelled out in chapter 13, where he argues that while the absence of democracy tends to have a negative effect on economic growth rates, the evidence on whether its presence promotes growth is at best mixed. He observes that "[s]quabbling politicians, obstructive partisanship, periodic labour unrest, and a sometimes vitriolic press are all standard features of modern political democracy" (340). He agrees with Mancur Olson that democracies over time accumulate an "underbrush of economically counterproductive impedimenta" (341) that makes it difficult to assess whether democracy promotes or obstructs growth. Two comments: Friedman cites counterexamples like China or Cuba, whose economies grow despite the absence of democracy. One cannot help but ask why these counterexamples should have more weight than the counterexamples to Friedman's own thesis, like for instance the New Deal, where democratic openness and tolerance gained ground in the absence of growth. As it stands, the case for an asymmetric causal relationship between growth and democracy remains unconvincing. Second, it is not clear that defending this asymmetry is a necessary element of

Friedman's overall argument. If Friedman acknowledged a positive effect of democracy on growth, this in itself would not undermine his argument for a positive impact that runs the other way.

Moving on to two different objections, one might consider that any positive effects growth has in terms of promoting openness and tolerance are outweighed by its negative impact in terms of economic inequality and environmental degradation. Friedman believes that this fear is unjustified. However, the empirical grounds on which this optimistic belief is based are rather shaky.

With respect to inequality, Friedman adopts Kuznets' hypothesis in arguing that growing inequalities are more likely in the early stages of industrialization. However, the experience of several industrialized countries towards the end of the twentieth century shows that this relation is by no means robust. For example, between 1983 and 2001, the Gini coefficient for net worth – a measure for wealth – in the USA increased from an already staggeringly high 0.799 to 0.826, while the Gini coefficient for income inequality rose from 0.480 to 0.562 (see Wolff, 2006). As already indicated, if one considers some portion of these new inequalities as unjust, then it will be inappropriate to describe the consequences of growth as "moral".

As to the relation between growth and environmental concerns, the tension is evident. Raising the standard of living in the developing world to US standards, say, would cause yet more pollution and environmental degradation. Here, Friedman's reply is two-pronged. First, he plausibly underscores the role for public policy to introduce regulation to curb the negative externalities of growth. Second, however, he points out that development leads to a shift in production from manufacturing to services, which mitigates pollution. The relation between growth and environmental degradation, Friedman speculates, is akin to a Kuznets curve, with the early stages of industrialization having a more devastating impact on the environment. Though the shift in production from manufacturing to services is well-documented, it strikes me as optimistic to think that it will be sufficient to lead to a reduction in pollution in absolute terms.

Fourth and finally, let me turn to the prescriptive aspect of Friedman's book. Since growth promotes openness and tolerance, governments should do what they can to stimulate the economy. Recall that Friedman's conceptual thesis appeals to two benchmarks that people use to evaluate their material well-being: their own past experience and the people around them. Friedman's case for growth rests on the argument that, in a growing economy, those who fall behind on the latter criterion at least improve on their past experience whilst, in a contracting economy, they will lose out on both criteria (see p. 92). Hence, they will be more willing to accept reforms towards openness and democracy in a context of growth.

Notice that Friedman's conceptual thesis about how people evaluate their material well-being seems equally compatible with the following, different explanation: What makes people vote for, or accept, more open and tolerant institutions is not economic growth but the perception that these institutions treat them in a just manner. When the economy is growing, the discontent about the absence of just institutions can be obscured because everyone might be "getting ahead" in absolute terms. Yet, during periods of stagnation, social justice becomes a necessary condition for reforms towards openness and tolerance. This line of argument is compatible with Friedman's conceptual thesis, because if the costs of a recession in terms of standard of living are distributed in a fair way, no one need have the feeling of falling behind compared with the people around him. Therefore, it is not necessarily true that during economic downturns some people will lose out on both of Friedman's benchmarks. What is more, this alternative hypothesis fits better with some of the historical evidence than Friedman's account. For example, it provides a plausible explanation of why the USA moved towards openness and tolerance during the New Deal despite the absence of growth.

If there were something to this rival hypothesis, the policy implications would change, too. Our priority then should be the design of social institutions that distribute not only the benefits of growth but especially the costs of economic downturns in a fair manner, for instance through various forms of social insurance. Promoting growth may well be easier compared to this objective, but it is not a substitute. I cannot subject this rival hypothesis to critical analysis here. However, given its *prima facie* plausibility, one would have expected Friedman to consider it.

As Friedman acknowledges in the preface, *The Moral Consequences of Economic Growth* stands out for its optimism regarding the effects of economic growth on the social fabric. As the above comments make clear, I do not share this optimism to the same degree. Economic growth no doubt *can* promote openness and tolerance in certain contexts. For instance, the benefits economic growth can bring to developing countries are undisputed. However, Friedman clearly wants to defend a stronger claim. The conceptual as well as the historical versions of his argument aim to underpin both the general claim that economic growth has these positive social consequences as a rule, and the resulting policy recommendation that growth should be promoted. The questions I have raised show why I believe this stronger claim to be one generalization too far.

I have concentrated on my disagreements with Friedman at the expense of dwelling on the many strengths of the book. In particular, the breadth and depth of Friedman's historical analysis is impressive, and his discussion of the policy imperatives in the USA today in the last chapter are illuminating. Finally, I could not agree more with the assessment of Daniel Bell on the dust jacket of the book: "Debatable, yes, but an argument one has to confront in assessing public policy toward globalization and aid to developing countries."

Peter Dietsch
Université de Montréal

REFERENCE

Wolff, E. N. 2006. Changes in household wealth in the 1980s and 1990s in the U.S. In *International Perspectives on Household Wealth*, ed. Edward N. Wolff. Northampton, MA: Edward Elgar.

doi:10.1017/S0266267108002320

The Structural Evolution of Morality, Jason McKenzie Alexander. Cambridge University Press, 2007, ix + 300 pages.

This book draws together and expands upon Jason McKenzie Alexander's previously published work using evolutionary game theory. His central claim is that our moral principles act as heuristic devices which tend to maximize our expected utility over a lifetime. The models he presents aim to demonstrate that a range of simple moral principles often emerge as the victors over other strategies in a process of cultural evolution. What is relatively novel about Alexander's modelling, compared with the present philosophical literature, is that it takes seriously the fact that we interact with each other in a structured environment with non-random interactions. Another philosopher notable for making moves in this direction is Brian Skyrms and this book is certainly a must-read for anyone who has been enthused by his recent collections of evolutionary modelling (Skyrms, 2004). Skyrms' works have raised philosophical concerns for some, which *The Structural Evolution of Morality* makes efforts to address. Before considering these concerns I will outline the book's structure and highlight, by way of example, some results that I found particularly novel or thought provoking.

The majority of the text is devoted to modelling four game types using each of four forms of social network. Each game is taken to represent a canonical type of moral dilemma:

- Prisoner's Dilemma (PD): The problem of cooperation where interests partially diverge.
- The Stag Hunt: Trusting someone to play their part in a joint venture.
- Divide the Dollar/Cake: The problem of fair division of resources.
- The Ultimatum Bargaining Game: The phenomenon of moral retribution.