mitigate future cycles. In particular, they open the door, unwittingly, to some of the basic assumptions about rationality on which our economic system is based. The work of pioneering behavioral economists such as Daniel Kahneman and Dan Ariely reveal that these wrenches in simplistic economic assumptions can be explained from a psychological perspective. These emerging authors highlight why seeming irrationality leads us to say in each financial crisis that "this time is different," revealing the limits of current economic and policy approaches in regard to missing the psychological roots of such weighty miscalculations.

The Tyranny of Utility: Behavioral Social Science and the Rise of Paternalism. By Gilles Saint-Paul. Princeton: Princeton University Press, 2011. 174p. $39.50.
doi:10.1017/S1537592712003453

— Thom Brooks, *Newcastle University*

Richard Thaler and Cass Sunstein's coauthored (2008) *Nudge* is among the most favored texts of political classes on both sides of the Atlantic and beyond. This work defends targeted "nudges" by policymakers to improve the everyday decisions made by citizens concerning health, wealth, and happiness. Thaler and Sunstein claim that nudges should be understood as a case of libertarian paternalism. Nudges are libertarian because they must maintain, if not increase, the available choices that citizens should be free to make for themselves. However, nudges are also paternalistic by framing choices in ways that might better promote superior decisions. For example, school cafeterias might reorganize their display of fruits, vegetables, and desserts so that no options are removed, but some become more eye-catching and more likely to be chosen for the benefit of schoolchildren. While the authors acknowledge various objections, they conclude that libertarian paternalism respects choice while supporting better outcomes, often at minimal expense. It is easy to see how such an approach has found strong appeal among politicians and policymakers eager to improve public policy in difficult economic times.

Gilles Saint-Paul's *The Tyranny of Utility* is a well-argued critique of the behavioral economics that underpins libertarian paternalism. Saint-Paul is concerned that behavioral economics may contribute to more paternalistic interference by government and not less. Governments often seek to introduce policies that lead to improvements across indicators, such as health and well-being. The problem of libertarian paternalism is that it is perhaps a less transparent form of paternalism where citizens believe they are deciding freely for themselves, but in fact their choices are influenced by almost secretive manipulation of the choice architecture. So citizens will be steered, or "nudged," more often toward making the choices that policymakers have determined for them in advance.

One concern is whether any government should be justified to structure individual decision making in this way. While governments should be able to pursue policy goals, these should be more transparent: Citizens may be misled into believing that their choices are determined as autonomously as they may assume. The greater use of nudges as policy instruments might contribute to the public's becoming less informed about the policies pursued by governments and, more especially, the means by which these policies are pursued. Citizens deserve better clarity about why their choices should be different and how their choice architecture is constructed. For Saint-Paul, a major problem here is that saying too much about the construction of choice architecture may give away too much and lead to the failure of citizens to make the "best" choices according to governments.

A second concern is whether any government should be justified in pursuing policies where it knows best. Perhaps obesity should be reduced. But should governments influence my choice of diet? Or should it structure my decision frameworks so that I choose what the government believes is best in other individual decisions concerning my person? This then raises further the problem of governments pursuing the agenda of private-interest groups at the expense of the public. The concern here is that governments may be tempted to use nudges to support their future political fortunes instead of the public good. If governments seek to remain in power and it were possible to influence the public to provide further support through nudges, then many governments may choose to use nudges to promote their own political interests or the interests of their political supporters over the public good for which nudges have been justified. Nudges represent a Pandora's Box more likely to produce problems than acceptable solutions. Saint-Paul argues that nudges offer a stronger case for "imposing greater constitutional limits on government" than for freely steering the construction of public policy implementation (p. 150).

The book has many merits. It is political economy presented in an accessible way without being overly verbose. The chapters are tightly focused and arguments succinct. These factors contribute to producing an enjoyable and highly engaging book. While many arguments are well presented, some readers may find some claims too abrupt. For example, the book begins with a critique of utilitarianism and economic policy where I share broad sympathy with the general argument, but where a greater recognition of the wide tent that is "utilitarianism" might go some way to a more robust engagement with this opponent and an even more convincing critique.

Perhaps the biggest shortcoming is that the chief exemplar of its opponent, Thaler and Sunstein's *Nudge,* is nowhere mentioned. The authors receive one joint mention and Thaler is cited briefly on two other pages, although their jointly coauthored article "Libertarian Paternalism"

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(*American Economic Review* 93 [May 2003]: 175–179) receives some mention (pp. 84–85). This is not to suggest that Thaler and Sunstein are the only behavioral economists worth engaging; they are not, and many others receive substantial discussion, such as Daniel Kahneman. Indeed, much of the substance behind their position can be found in these pages, and Saint-Paul's critique is clearly applicable to *Nudge.* Nevertheless, *Nudge* is without doubt one of the best-known representatives of Saint-Paul's opponents. It would have been useful if there had been a more substantive engagement with *Nudge* if only to better attract the wider audience attached to that work.

Nevertheless, *The Tyranny of Utility* offers a forceful critique of the behavioral economics that has increasingly underpinned much of our public policymaking today. While it may not yet silence opponents, it provides rich arguments on why nudge theorists have much more work to do in defending libertarian paternalism. Anyone interested in nudges and behavioral economics will be rewarded amply by engaging with this important work.

The Assumptions Economists Make. By Jonathan Schlefer. Cambridge, MA: Harvard University Press, 2012. 384p. $28.95.
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— Douglas W. Rae, *Yale University*

This is a fine book, written by a political scientist who has spent half a lifetime learning, doing, and sometimes disbelieving neoclassical economics. Jonathan Schlefer knows his economics well enough to navigate through the central assumptions of even the most intricate economic models without imposing a single line of Greek-letter algebra upon the reader. The book is consequently a model of concision and clarity from beginning to end.

Nearly a generation back (1987), the Santa Fe Institute organized a matchup between a team of high-level economists—Kenneth Arrow, Brian Arthur, and Larry Summers among them—and a squad of high-level natural scientists. Over the course of two weeks, they worked through a series of widely established economic models up to and including the celebrated Arrow-Debreu account of general equilibrium. Some of the natural scientists good-naturedly flagged the close resemblance between the math in those models and the math in physics textbooks from the World War I era. Newtonian equilibrium among heavenly bodies apparently parallels equilibrium in markets for wheat and oil. More interestingly, some were stunned by the unrealistic assumptions being embraced by the economists—shoppers with perfect information, everyone displaying formal rationality, so-called perfect competition in which no seller or buyer has power enough to move prices. As one scientist asked, "You guys really *believe* that?" What we have in *The Assumptions Economists Make* is a well-reasoned survey of some key assumptions that Schlefer does, and more relevantly does not, believe.

The last 30 years of Chicago School economics have been devoted to clearing away government regulations in order to make room for the efficiencies that are, in theory, achieved by decentralized, competitive markets. The World Bank, the International Monetary Fund, and several central banks have carried that gospel into markets for products as diverse as clean water, investment capital, electrical energy, and airline tickets. In some instances, dramatic efficiency gains resulted, as with early airline deregulation in the United States. On several other occasions—many running together in the Great Recession of 2008—the forces at work bore little resemblance to the models that justified deregulation (where was Glass-Steagall when we needed it?). The impact of the Chicago-prescribed economic medicine on some developing economies has been brutal, far worse than the "pathologies" it was intended to cure. Many have, of course, pointed out that the now-advanced market societies supporting free trade for newcomers got where they are through the use of protectionist industrial policies over many crucial decades of their own development.

Capitalism, especially the part driven by very large joint stock corporations, has brought those of us living in the advanced economies cheaper, better, and sometimes safer products of virtually every kind. Think cars, so-called white goods, electronics, balloon-construction housing, pharmaceuticals, music, and (admittedly industrial) food. Like it or not, giant corporations—most of all Walmart with its 2 million workers, 110 square miles of parking lots, and 32 square miles of store space—have also played a central role in distributing these products cheaply. In virtually every such market segment, cheapness is achieved through economies of scale: As we go from hundreds of units to millions of units being produced and sold, cost per unit plummets. Sometimes—as with software and recorded music—marginal cost goes vanishingly close to zero. Sometimes, as with the Bonsack cigarette machine in the late 1800s, a truly dangerous product was produced and distributed so efficiently that millions were sickened or killed. More commonly, useful stuff gets out there at low prices. If there is even mild competitive pressure, much of the resulting benefit gets passed on to consumers.

Yet the conventional neoclassical models depend on the assumption that such economies of scale do *not exist* (Adam Smith, by the way, recognized and praised gains from scale). The models in question were developed in the last half of the nineteenth century, during the years when Carnegie was building U.S. Steel, Rockefeller was beating the world into submission before his Standard Oil, and the great American railroads were being given government land roughly equal in extent to all of New England. Why would an academic discipline populated by so many talented

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