than the *Treatise* or first *Enquiry*, he argues that for Smith moral causes operate through "habituation or socialisation": "These are still *causes* and are still deterministic but, unlike the hard determinism of physical causation, they can accommodate change or variation" (p. 130; original emphasis). Haakonssen and Winch's emphasis on contingency suggests that they would be reluctant to accept any form of determinism, even such "soft determinism", but they leave unaddressed how they theorize a causality that is common to nature, human nature, and "morality".

As this brief consideration of the volume suggests, there is much that is stimulating in this *Companion to Adam Smith*, although such threads of debate aren't signalled in the Introduction or by the contributors so that readers will need to do their work of interpretative reconstruction unassisted. The general lack of engagement with wider debates will make it hard for newcomers to Adam Smith to find their way in making critical sense of the volume or of the current state of debate on Adam Smith. This suggests that in spite of much that is of interest the *Companion* falls short of being an "up-to-date examination of all aspects of Smith's thought" (as the back cover claims). Moreover, the volume fails to convey any sense of the explosion of interest in Adam Smith's works in the recent period or (apart from some brief remarks in the concluding essay) the political and intellectual histories associated with the various recoveries and reconstructions of Smith's thought, including those presented in this volume. This suggests that readers will be less well-equipped to decide upon the significance – including both the challenges and the internal tensions – of Smith's oeuvre than they might otherwise have been. We might well ponder the opportunity cost of this.

Vivienne Brown
Open University

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Handbook of the Economics of Giving, Altruism and Reciprocity. Volume 1, Foundations: Volume 2, Applications, Handbooks in Economics, Serge-Christophe Kolm and Jean Mercier Ythier (eds). North Holland, 2006, xxv, xxii + 1588 pages.

E. M. Forster's *Room with a View* begins with a gift. Old Mr Emerson and his son George offer their room with a view to young Lucy Honeychurch and her companion, Miss Bartlett. This generous and altruistic act, in truth, implied no utility loss to the Emersons who put (or claimed to put) no value on their fine view of Florence. Miss Bartlett initially declined the offer, partly because she feared it would place the ladies under some sort of reciprocal obligation to the Emersons. And, indeed, it did in complex ways, more amenable to the arts of the novelist than the analyses of the social scientist. Some might feel that giving, altruism and reciprocity should be left to the novelist or the psychologist or the anthropologist: that the economist can have little useful to say about such things. There is some comfort for them, if they wish to find it, in this otherwise excellent new *Handbook* – many of the models are very specialized, loose ends abound and there is still no agreed approach. Yet there is much to report, both theoretically and empirically.

I start with a declaration of personal interest. Two of my own publications are referred to on more than one occasion, an article, *Edgeworth's Propositions on Altruism* (Collard 1975) and a book *Altruism and Economy* (Collard 1978). In the latter, which Mercier Ythiers is kind enough to refer to as seminal, I provided, among other things, an historical overview of the treatment of altruism by economists and it is good that historical antecedents are treated seriously in the *Handbook*: Adam Smith's *Theory of Moral Sentiments*, Wicksteed's notion of non-tuism (rather than self-interest) in economic transactions and, of course, Edgeworth. In my book I suggested a solution of the Titmus Puzzle, based on what I called Kantian Altruism. In a gift relationship the would-be voluntary blood donor is aware that if he or she and like-minded others fail to donate there will be a shortage, so feels obliged to donate. Once a market is introduced the reasoning is different. If I and like-minded others fail to donate, market price will adjust until supply equals demand. So erstwhile voluntary donors might well cease to donate. The debate is still an active one and is referred to in Kolm's valuable introduction (p. 107), Mercier Ythier's chapter 5 on gift-giving (p. 335) and Thorne's chapter 20 on organ transplantation (p. 1343). I still feel that a combination of altruism and Kantian rationality is helpful in discussing this type of situation.

I now summarize the contents of the two volumes. Serge-Christophe Kolm's long introductory chapter provides a description of the main motives for giving, altruistic and non-altruistic. He pays particular attention to one of the themes of the *Handbook*, reciprocity. A minor quibble is that his treatment of "retro-gifts" (i.e. gifts from the future to the present) by means of debt, pays insufficient attention to Ricardian Equivalence. There is a brief but interesting discussion of altruism and justice: justice cannot be based upon altruistic feelings, desires or whims but so-called impartial altruism could provide a bridge between mere feelings and normative rules. Kolm also provides a lengthy guide to further reading which will be invaluable to scholars starting out in this field. Chapter 2, by Erik Schokkaert, deals with the empirical analysis of transfer motives and concludes (p. 169) that the evidence from testing the predictions of altruism and exchange strongly rejects pure altruism in favour of exchange and reciprocity. However, Schokkaert is careful not to reject altruism altogether and advocates direct questioning, rather than inference, to discover motivation. He carefully tabulates price and income elasticities from a large number of sources: this reviewer (Collard 1978: 93) found an income elasticity for donations of about 0.7 for the UK in the 1970s. Jon Elster, chapter 3, probes the question of whether it is ever possible to confirm altruism from behaviour. Chris Hann's chapter 4 is written from an economic anthropologist's point of view so emphasizes the complex patterns and motivations in gift-giving. He complains that economists are far too reductionist – though his fellow authors are very conscious of this criticism and some try very hard not to be! Jean Mercier Ythier rigorously derives a number of important propositions about giving and goes a long way towards providing a theoretical underpinning for the welfare state in its provision of education and social insurance.

Kolm's long, sophisticated and comprehensive chapter 6 on reciprocity, expanding on his introductory chapter, gets to the heart of the matter: "society is reciprocity" he claims. In particular, inter-generational gifts are normally linked, or indirect, reciprocities rather than exchanges. "You take care of your ageing parents given that they have taken care of you and their parents and that your children will take care of you and you take care of your children as your parents took care of you" (p. 395). Ageing parents have little direct power, except for making bequests, but transfers to them imply future transfers to the next old generation and so on. Such transfers cannot be guaranteed, of course, and may have to be underpinned by rules allowing for strategic punishment. Kolm makes an eloquent plea for integrating reciprocity, whether market supporting or market substituting, into mainstream economics. Chapters 7 and 8 deal with experimental social psychology. Louis Levy Garbouda, Claude Meidinger and Benoit Rapoport report that social evolution based on family altruism can arise only for a few species and stress the roles of the early years of child development and the of concept of fairness, albeit underwritten by sanctions. Ernst Fehr provides an excellent account of experiments concerned with fairness, reciprocity and altruism and takes a balanced view of selfish and unselfish motivation. There is an interesting discussion of dictator games, trust games and gift exchange games. We note again the role of punishment in reciprocity games and Fehr draws our attention to the importance of motivation or perceived motivation in this process.

Chapter 9 by Pier Luigi Sacco, Paolo Vanin and Stefano Zamagni takes us beyond the individual and addresses the issue of whether well-being depends on individual or relational satisfactions. Once this vista is opened up we encounter social capital (about which economists are typically sceptical) and team effort (to which economists have been much more attentive). A substantial part of the chapter is devoted to a plea for returning to the eighteenth century roots of our subjects, in particular to a re-reading of the classics in the light of our current concerns: a process which is, in the authors' words, "replete with surprises" (p. 726). In the same vein, Nicholas Bardsley and Robert Sugden (chapter 10) again direct our attention to Hobbes, Rousseau and Smith (of the *Moral Sentiments*): if man is a social animal, they rightly ask, how did we get hooked on *homo economicus*? They analyse several "explanations" of other-oriented motivation in the context of economic man including rational altruism, warm glow, inequality aversion and Rabin's theory of reciprocity, finding difficulties with all of these. They are favourably inclined towards "expressive rationality" and team motivation and call for new directions. "Let the revolution continue!", they write (p. 764). "Hear, hear", we cry, though we are thereby reminded that all is not well with the present state of the subject.

Theodore Bergstrom's chapter 11 is mainly concerned with group selection and whether or not altruists can flourish in an evolutionary process. Alfred Russel Wallace would be worth mentioning in this context. Particular attention is paid to the "haystacks" model of John Maynard Smith in which apparently altruistic behaviour can arise without the aid of assortative mating. A reader looking for "conclusions" here has to be content with recommendations for further reading. The final chapter in volume 1, by Jean-Philippe Platteau, examines the process of emerging new institutions given the prevalence of norms in village societies: he is fairly pessimistic about the robustness of redistributive norms.

Volume 2 is titled "applications" though it inevitably contains a great deal of theory as well. Chapter 13 by Ann Laferrère and François-Charles Wolff, on family transfers is an excellent reference chapter as it gives some extremely useful tabulations on the predictions of various assumptions about altruism as well as tabulating some empirical results on transfers in developed countries. It discusses both one-sided and two-sided altruism, pointing out that though the latter reduces conflict it does not eliminate it. A "family constitution", which is in the interest of all generations, plays an important part: it has to be enforced, of course, either by the credible threat of punishment or more subtly by preference formation, demonstration effects, gratitude and so on. The authors quote with approval the notion that the best way of appearing to be altruistic is actually to be so! In family models it is obviously important to assume at least three generations (young, middle and old) with transfers to the young and old by each working generation. A family constitution which implies transfers potentially improves the well-being of all generations. As it happens much of the theoretical work on intergenerational transfers, e.g. on pensions has dealt with the two generation case. This is a pity because having at least three generations in the model allows much more scope for stabilization; the more "generations" there are the stronger is group memory: with two generations the working generation can have no memory of past transfers or motivations. In the spirit of chapter 10 above, indirect reciprocity is introduced as is the rival *homo reciprocans*. Will this catch on, I wonder?

The theme of having at least three overlapping generations is pursued in Luc Arrondel's and André Masson's excellent chapter 14 on the evidence from family transfers. Indeed their suggestion of two working and two non-working generations deserved to be developed more fully. Their basic model is 3-OLG and they test the predictions of altruism, exchange and reciprocity against family data. "We shall try to convince the reader", they write (p. 976) "that *indirect* forms of reciprocity between generations may be viewed as appropriate dynamic syntheses of altruism and exchange". This reviewer was already convinced! The authors call for more innovative work on indirect family reciprocity across the generations. Incidentally, the complaint that measurement is sometimes theory driven seems justified when the authors look at the strikingly different results of Modigliani's life-cycle and Kotlikof's altruism models for the ratio of bequests to inter-vivos gifts (20% versus 80%): it turns out to be a matter of definition and of the types of household included.

Philippe Michel, Emmanuel Thibault and Jean-Pierre Vidal's chapter 15 on inter-generational neo-classical growth models is more within the mainstream tradition and much of it is familiar. As is customary they make use of altruism as a device for allowing dynastic saving and examine the stability problems that arise with two overlapping generations. In passing, the authors distinguish between two classes, one of which is short-sighted. Capital then gradually accumulates in the hands of the long-sighted, a point which had been developed by Ramsey in 1928 as recognized in the following chapter. Wealth transfer taxation is rather neatly surveyed in chapter 16 by Helmuth Cremer and Pierre Pesteau. The motives for bequests can be important in determining tax policies: accidental, since one does not know when one is going to die; dynastic altruism; the sheer joy of giving; implied exchange as in the famous "bequest motive". They rightly stress the inadvisability of making a single assumption about motivation: most societies will contain a mixture of altruists and life-cyclers. A similar point about the importance of motivations is made by Hillel Rapoport and Frédéric Docqier in their chapter on migrants' remittances: different motivations lead to different predictions. "On the whole, the evidence from micro surveys confirms that patterns of remittances are better explained as familial inter-temporal contracts than as a result of altruism or other purely individualistic considerations" (p. 1171).

James Andreoni's comprehensive chapter 18 on philanthropy emphasizes "warm glow" but not at the expense of a useful survey of the empirical evidence. As he admits, warm glow is probably a surrogate for quite complex motivations. He rightly claims that a clear understanding of philanthropy has so far eluded economists: which is possibly why the literature probably overestimates the amount of crowding out. Not surprisingly he calls for further research. Chapter 19 by Marc Bilodeau and Richard Steinberg is about donative non-profit organizations and the modelling of the behaviour of non-profit organizations. Chapter 20 by Emanuel D Thorne on organ transplantation takes us back to the Titmus puzzle, though as the author acknowledges this whole issue may be overtaken by scientific advances in stem cell research. As well as considering the extreme theoretical cases he looks at the roles of organization and procurement in practice.

It would be naïve to exaggerate the role of altruism in employer/employee relationships and Julio J Rotemberg, chapter 21, does not do so. Yet altruism can oil the wheels of gift-exchange: without altruism reciprocity is not enough. Fair conduct by employees increases worker trust, altruism between employees makes co-operation in the workplace easier, supervisors who appear to have the workers' welfare at heart may be more effective than those who do not, and so on. Reciprocity and altruism in the context of co-operative production are explored by Louis Putterman in chapter 22. In an n-person prisoners' dilemma co-operative production will fail unless n is small. To explain why real co-operatives often work, however, Putterman makes use of reciprocity, the disciplining of free riders etc. Like other contributors to this volume he draws attention to the obvious similarity between the analyses of joint effort and of public goods. Christina M Fong, Samuel Bowles and Herbert Gintis (chapter 23) stress the role of what they call strong reciprocity which involves not merely co-operating but being willing to punish backsliders even at some personal cost. They advocate strong reciprocity over the median voter model which does not explain why some rich taxpayers favour redistribution and some of the poor are against it. However their model only supports welfare states in which the rich approve of the motivation of the poor, in other words where the poor are perceived to be deserving. Their approach would favour insurance-based reforms or reforms which increase the productivity of the poor. Similar concerns are at the heart of chapter 24 by Didier Blanchet and Marc Fleurbaey who show how the form of altruism assumed can affect supportable transfers. Chapter 26 by Ravi Kanbur is about the economics of international aid.

Alessandro Cigno's contributions to research in this area are well recognized. In chapter 25 he explores the political economy of intergenerational cooperation which is of particular interest to this reviewer. The analysis of "gifts" across the generations is central to the concerns of this handbook. It is clear that potential Pareto-improving bargains can improve the wellbeing of all generations, over and above what could be achieved by generational autarky, by transfers to the young in the form of consumption and education and to the old in the form of consumption and care. To a limited degree these transfers can emerge from an inter-temporal market in which the young borrow and the old dissave (except at the extremes of the life-cycle where both the very young and the very old are helpless). But parents have to be rich enough to make positive transfers and there must be no credit-rationing. More generally inter-generational transfers are made within the family or, politically, through the state. If within the family, they may result from altruism or from exchange or from an implied reciprocity in which a family constitution is followed by each generation. A sanction of some kind is invoked so that the inter-generational bargain is renegotiation proof. Similar considerations apply if the transfers are political and a voting equilibrium is required. Cigno starts with a three-period life cycle and adds fertility to the usual considerations. So, to the first-order conditions determining the rate of return on capital and the inter-temporal pattern of consumption, is added the condition that the marginal social benefit of adding an extra person must equal the marginal social cost. When education is introduced the extra portfolio condition is that the rates of return on investment in physical and in human capital must be the same. Cigno considers, in turn, "real" families as opposed to Becker-Barro families (deriving family constitutions) and a welfare state which pays lump-sum benefits to children and the old, financed by lump-sum taxes on working adults. There are many good things in this chapter which we do not have space to mention here.

As is the case with handbooks of economics this one is not an easy read. But it certainly meets its objective of bringing researchers and teachers up to speed with the state of the subject and will hopefully inspire a few of them to make the breakthroughs required.

David Collard

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Equilibrium in Economics. Scope and Limits, Valeria Mosini (ed). Routledge, 2007, xxiii + 284 pages.

While the notion of equilibrium is central to economic theorizing, its precise meaning remains elusive. Two attitudes are then possible: one can either forget this elusiveness, or try to address it directly. Most economists content themselves with the former attitude but, fortunately enough, a few others take the other route. This book is an example of the latter case.