

BOOK REVIEWS

Risk, Ambiguity and Decision. By ELLSBERG (DANIEL) and with an introduction by LEVI (ISAAC). (New York and London: Garland Publishing, 2001. Pp. liii+281. £45.00 hardback. ISBN 0 8153 4022 2.)

In decision making under uncertainty it is often the case that the decision maker's knowledge about the likelihood of contingent events is consistent with more than one probability distribution. For instance, if we happen to ask someone about the likelihood of a given eventuality, the answer we typically hear is, 'between $x\%$ and $y\%$ ', rather than a crisp, ' $z\%$ '. The phenomena of vagueness, imprecision of one's subjective judgements or beliefs and its significance for decision making had vexed many eminent scholars, across a variety of disciplines, since at least the 1920s. Economists, such as J. M. Keynes, F. Knight, and G. L. S. Shackle, philosopher mathematicians like, I. J. Good, B. O. Koopman, and H. E. Kyberg questioned whether subjective beliefs could be meaningfully represented by probabilities, while statisticians and decision scientists like L. Hurwicz, J. Hodges, E. Lehmann, C. Smith, and A. Wald constructed theories of decision making based on the hypothesis that in many situations the relevant uncertainty was too diffuse to be defined by an exact probability. Then, in the 1950s, L. Savage, following on earlier work by F. Ramsey and B. de Finetti, made a path breaking contribution: Savage showed if a decision maker's preferences (over acts) obeyed a certain set of axioms then her behaviour can be represented *as if* she were maximising expected utility with respect to some (subjective) probability. Hence, unless one were able to show that there were clear circumstances wherein it would be reasonable to behave in violation of one (or more) axioms and that many decision makers would actually behave so, it did not matter whether people's beliefs were probabilistic or not, we may, just as well, pretend that they were! In his classic contribution, 'Risk, Ambiguity and the Savage Axioms', (*QJE*, 1961) Daniel Ellsberg came up with a pair of thought experiments, now famously called 'Ellsberg paradoxes', which met Savage's challenge in precisely that manner. The examples showed there were circumstances where it would seem reasonable for decision makers to let their behaviour be affected by their knowledge of how well they knew the relevant odds. As Ellsberg reported, even when faced with the evidence that this was inconsistent with the Savage axioms most subjects stood their ground, 'because it seems to them the sensible way to behave'. Presumably they chose, to use the words of another famous economist, 'to satisfy their preferences and let the axioms satisfy themselves.' Within a year after the publication of the *QJE* article, in 1962, Ellsberg submitted his doctoral dissertation to the Economics Department at Harvard. That thesis, published thirty-one years after its submission, is the subject of this review.

The thesis is very much an elaboration on the theme of the *QJE* article. The first half of the book, chapters 1 to 4, is a discussion of the decision theory debate as it had played out up until the 1950s. It starts with the statement of the traditional Bernouillian position of the case for using expected utility and then the contending ideas of Keynes, Knight, Koopman, and Good, ending with an analysis of how the revolutionary ideas of Savage contributed to the debate. The retelling of the ideas is accurate, careful but amazingly lucid. One would be hard pressed to find a more thorough discussion and explanation of the issues that is not (a lot) more technical. It is a very useful read for any student of decision theory, not just the historian of economic thought, though the latter I am sure will be delighted with the treasures in store. The second half presents, what are essentially, Ellsberg's original contributions to the debate. Ellsberg's goal is to change the minds of those who think Savage's theory is the last word in decision theory: 'I hope to convince them... of the need and possibility for including in their formal theories certain considerations now explicitly ignored; and to persuade them there are more ways of being reasonable under uncertainty than they currently imagine'. To this end, chapter 5 contains a discussion of the examples in the *QJE* paper, how they violate Savage's axioms and why the violations are, arguably, reasonable. Chapters 6 and 7 compare alternative decision rules as candidates for accommodating the observed departures from expected utility. Chapter eight contains mostly various odds and ends, as would be expected in a final chapter of a thesis, but includes a most incisively argued reply to the celebrated Pratt/Raiffa critique of the *QJE* article. Chapter 7, introduces rules that were not mentioned in the *QJE*. Two of the rules are the maxmin expected utility and its more general α -maxmin version. The first is possibly the most popular model of ambiguity aversion, axiomatised and 'introduced' to the literature by I. Gilboa and D. Schmeidler about a dozen or so years ago, while the latter, to the best of this reviewer's knowledge, a focus of the most current investigations building 'new' theories. Ellsberg's discussions are possibly too non-technical and preliminary to add much to the new literature, but it is simply breathtaking to note, once again, how many, many, years ahead of his time this man truly was.

The last decade or so has seen an explosion of research on the ideas Ellsberg tried to convey in his thesis. We have seen axiomatisations of formal theories that attend to Ellsberg's complaint of not including 'certain considerations now explicitly ignored'. Alongside this have come insightful explanations of paradoxical economic phenomena, in fields as diverse as contract theory, the theory of behaviour in financial markets, and the theory of voting, to name but a few, and more research is under way; all based on the understanding that there is more than one way of being reasonable under uncertainty. The publication of the thesis, though unfortunately belated, thus nevertheless comes at a most opportune moment. The book is a must read for everyone interested in this new research, the specialist and the non-specialist alike.

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Bounded Rationality: The Adaptive Toolbox. Edited by GIGERENZER (GERD) and SELTEN (REINHARD). (Massachusetts Institute of Technology: The MIT Press, 2001. Pp. xv+377. £27.50 hard back. ISBN 0 262 07214 9.)

What makes this book different from – and much more pleasant to read than – preceding volumes of conventional meetings is the very nature of the *Dahlem Konferenzen* it reports. Dahlem workshops started in 1974 (since 1990 integrated in the Freie Universität Berlin) as a means of promoting an interdisciplinary exchange of ideas on hot research topics. Four key questions are addressed at each meeting by four different discussion groups. Members of each group prepare background papers and, at the end of the meeting, a group report is drafted.

The editors of this volume have included each group report at the end of the section with the relevant background papers, so that the reader can follow the debate – and benefit from it – in a similar fashion as the workshop participants have. I found the four group reports to be the most interesting chapters in the volume. They all do a very good job at reviewing the topics at issue, highlighting the debate in the literature, identifying gaps in knowledge and outlining priorities for future research. It clearly appears from these four chapters how the aim of the workshop (and of this volume) is not necessarily to reach a consensus, but rather to approach controversial issues in a novel manner and from an interdisciplinary viewpoint, and to find new directions for the research to come.

The same spirit permeates one of the introductory chapters by Selten (chapter 2: What is Bounded Rationality?). Rather than defining bounded rationality, Selten gives the reader a good account of what bounded rationality is certainly not. It is neither irrationality or abnormal behaviour, nor subjective expected utility maximisation modified by some cognitive constraints. A correct notion of bounded rationality, according to Selten, must necessarily involve non-optimising procedures, and more precisely ‘fast and frugal’ heuristics, where fast refers to the relative ease of computation they entail, and frugal refers to the very limited amount of information that they need. According to Gigerenzer (chapter 3: The adaptive Toolbox) these heuristics have to be based on three fundamental premises: psychological plausibility, domain specificity, and ecological rationality.

The requirements of domain specificity and ecological rationality clearly lead to the idea of the ‘adaptive toolbox’ that gives the title to the volume: according to the authors a theory of bounded rationality should focus on a collection of behavioural rules, rather than on a general-purpose decision making algorithm. The ‘rationality’ of each of these rules does not reside in optimising or consistent behaviour, but rather in their success (or failure) in adapting to the environment.

The volume consists of 19 chapters which are conceptually, if not editorially, divided into four sections each corresponding to one of the key questions posed for the workshop.

Chapters 1 to 6 deal with the question: ‘Is there evidence for an adaptive toolbox?’. The main conclusion that emerges from the debate is that there is strong experimental evidence that economic agents’ behaviour can very hardly be reconciled with the existence of a single general-purpose decision making algorithm. We do follow different search and stopping rules, for example, when performing

different tasks and experimental results have managed to isolate some simple boundedly rational heuristics that display a good predictive power on agents' responses to simple tasks. The question of which decision tools are used in which decision situations of course is a very hard issue to tackle and remains essentially still open.

Chapters 7 to 10 deal with the question: 'Why and when do simple heuristics work?'. Simon, who coined the term 'bounded rationality', used the metaphor of a pair of scissors in order to describe it, where one blade is the cognitive limitation of economic agents and the other blade is the structure of the environment. Boundedly rational heuristics can nevertheless be successful by exploiting characteristics of the environment. A theory of bounded rationality should not only focus on decision-making algorithms, but also identify the environments where they are most likely to succeed. Imitation, for example, can be seen as a fast and frugal heuristic that is most likely to be successful in environments that do not change very rapidly. A boundedly rational agent who happens to select the most appropriate decision tool for each environment can do better than a rational agent. A large open question here is of course what is the mechanism, if there is one, by which decision making tools are selected.

Chapters 11 to 15, by dealing with the role of emotions on boundedly rational decision-making, provide some very interesting insights on how in fact emotions and drives could help towards such a selection. An emotional status can in fact be seen as a black box that elicits responses in given environments. Moods could, for example, help individuals to recall stored information on actions taken in the past in similar circumstances. Emotions caused by a particular stimulus in the environment have a role in making that particular environment known to the individual and hence in eliciting the appropriate response.

Not very different, in this respect, is the role played by culture (chapters 16 to 19). Social conventions can in fact be seen as helping towards the mapping between the particular decision-making tool that is most likely to be successful in a given environment and the perception of the environment itself.

Throughout the book, the main message all authors convey to the reader is the firm belief that a theory of bounded rationality should conform to domain specificity. However the requirement of domain specificity is probably one of the main reasons why a satisfactory theory of bounded rationality along these lines is yet to be developed. The debate that appears through the pages of this volume is extremely stimulating but nevertheless leaves the reader with a sense of disorientation on how the theory of bounded rationality should proceed next. It is not difficult to agree on the fact that we might want to look at 'a number of middle-range [decision] tools', rather than at 'a single hammer for all purposes' (page 7). However how does one draw the line between a rich toolbox and a series of *ad-hoc* decision making algorithms?

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A Theory of Case-Based Decisions. By GILBOA (ITZHAK) and SCHMEIDLER (DAVID). (Cambridge and New York: Cambridge University Press, 2001. Pp. x+199. £14.95 paperback. ISBN 0 521 00311 3.)

Gilboa and Schmeidler's book provides a tremendously enjoyable, clear, and user friendly introduction to a new paradigm for analysing decision making under uncertainty. Case Based Decision Theory (henceforth CBDT) suggests that people make decisions by analogies to past cases, choosing acts that performed well in the past in similar situations, and avoiding acts that performed poorly.

The book is spiced with light hearted examples that pave the road for the casual reader to understand the conceptual point of each section without going carefully into the mathematical constructions. Nonetheless, the book contains enough formal content to serve as a complementary textbook in an advanced graduate theory class, and is sprinkled with hints for open questions and directions for future research.

Going beyond impressionistic commentary, the book is comprised of three parts: 1. a description of the general (static) model with its axiomatic foundations; 2. a discussion of the conceptual foundations for considering CBDT; and 3. an analysis of CBDT in a dynamic setting that concerns issues of planning, repeated choice, and learning.

There are two main components to the basic model – similarity and memory. An agent remembers a collection of cases, triplets that are made up of a choice problem, an action, and a corresponding outcome. When confronted with a new problem, the agent creates an index for each of her feasible actions, and chooses the action with the highest index value. This index is a weighted sum of outcomes that have resulted whenever the relevant action was chosen, the weight being determined by a similarity function that captures the resemblance between the problem at hand and past cases. The authors consider different possible similarity functions: between problems, between problem-action pairs, etc. The general theme of all the suggested functional forms is that consideration of past cases is additive across the agent's memory. A significant chapter in the book is dedicated to providing an axiomatic foundation for the proposed choice rule.

The first mentioned application of CBDT is planning. A plan is defined as a sequence of cases and the essence of planning is *dissection* into cases, *selection* of similar past cases to each segment of the plan, and *recombination* of the selected cases into a stream of events of which the outcome is known. Despite the fact that the discussion concentrates on a sequence of events leading to one outcome, a value is attached to each segment in the process of decision making. While this seems plausible in some cases, it does raise issues of intertemporal substitutability that are not tackled, and are presumably left for future research.

In the chapters dealing with learning the authors present two different approaches. The first deals with learning in a repeated choice scenario, which is a manifestation of aspiration-level adjustment. The second deals with learning in an extended choice problem, which is interpreted as learning of the similarity function itself.

The authors chose to place the discussion of the conceptual foundations in between the static and dynamic analyses. This has the advantage of providing the reader an immediate philosophical account of the merits of CBDT that is naturally juxtaposed with the axiomatic foundations. Nevertheless, I am not convinced that placing this fragment of the book at the end would not have made more sense in that it would have allowed a full comparison between the current framework and existing ones. For example, the authors do mention in passing their conceptual aversion to mixed strategies as a behavioural model, but the naïve reader can get confused by the end of the book, not understanding that this is, in fact, a crucial point in differentiating the current learning processes from the similarly motivated reinforcement learning models.

Related to that is the hidden discussion on bounded rationality. The authors present a provocative, and non-paternalistic, definition of rationality. Namely, that an action is rational if, when the decision maker is confronted with an analysis of the decisions involved, but with no additional information, she does not regret her choices. With this definition, the authors do not presume to illustrate, or question, whether agents are rational or not. Postponing the philosophical account to the end of the book might have enabled, in addition to taking this point out of its hiding, a discussion of rationality as contrasted with sophistication. In the context of dynamic settings, one wonders to what extent the agent understands what she is doing, and to what extent she utilises this knowledge. For instance, in the repeated setting, would she tend to manipulate her memory in any way? Would the available memories depend on the problem at hand (as the availability heuristic suggests)?

Summarising, these are all minor comments and a testament to the book's inevitable effect of making the reader think about the snags and virtues of a new framework for thinking about choice under uncertainty.

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New Developments in Productivity Analysis. Edited by HULTEN (CHARLES R.), DEAN (EDWIN R.) and HARPER (MICHAEL J.). (Chicago and London: University of Chicago Press, 2001. Pp. xv+623. £52.50 hardback, US \$83.00 hardback. ISBN 0 226 360062 8.)

This volume encompasses the major developments in the theory and practise of productivity analysis over many decades. It is a collection of papers presented at the 1998 Conference of Research in Income and Wealth, which brought together most of the major players in this field, both paper authors and commentators. Many of the chapters in the volume can be described as extensive review papers and as such are valuable for researchers considering productivity analysis for the first time. The comments at the end of each chapter are often as informative as the papers themselves. However the title of the book is somewhat misleading in that there is little 'new' in either the theoretical developments reviewed or in the practical applications. At the same time the book largely ignores new developments in productivity, i.e. the US productivity acceleration in the 1990s which has

been linked to information technology. In fact many of the papers couch the analysis or results in terms of explaining the productivity slowdown in the 1970s or the productivity paradox. This is due largely to an unfortunate timing of the conference as the chapters would have been prepared before the US productivity acceleration was apparent. Despite these two criticisms the book contains reviews of valuable material on tools of analysis which have come back into their own in the wake of interest in the new economy.

A number of the chapters are likely to have most use as reviews of the theoretical analysis, although most papers combine elements of theory and practical applications. The theoretical surveys include Hulten's fascinating review of the index number approach to calculating TFP and the paper by Nadiri and Prucha which sets out the methods of dynamic factor demand models. The index number approach is simple in its applications although not in its theoretical derivation while the dynamic factor demand approach can provide a richer representation of the factors affecting productivity, such as adjustment costs, expectations and technical change, but at the expense of greater complexity. Greenwood and Jovanovic present a theoretical review of vintage capital models and Gollop and Swinhalid consider how one might account for changing environmental quality by expanding TFP measures to include non-market resources.

A second group of chapters are more concerned with the practicalities of productivity measurement. Chapter 2, by Dean and Harper, is an historical account of the research carried on by the US Bureau of Labour Statistics in analysing productivity whereas the chapter by Diewert discusses how the ideas of productivity analysis might be implemented by official statisticians. This latter paper is one of the few which mention the information revolution by setting out what constitutes knowledge capital. An approach to taking account of adjustment costs and other distortions using macroeconomic data is contained in the chapter by Basu and Fernald while that by Foster, Haltiwanger and Krizan investigates the microeconomic evidence on the reallocation of outputs and inputs across individual firms. Although the focus in general is on developments in the US, the volume does contain a few papers dealing with international productivity differences. Thus, Islam reviews methods to measure international differences in TFP at the aggregate level, Jorgenson and Yip consider the extent to which investments in education for the G7 countries from 1960 to 1995 explain output growth while an analysis of international productivity performance at a more micro level, including adoption of information technology, is represented in the chapter by Baily and Zitzewitz on service industries.

Finally industry specific studies are represented by the paper by Ellerman and Stoker, that looks at the sources of productivity growth in the US coal industry and by Ball, Fare, Grosskopf, and Nehring on US agriculture which used an alternative methodological tool to TFP calculations, the Malmquist index of productivity. The latter paper also considers the effect of undesirable outputs, such as use of chemical pesticides on the environment.

Short papers by Solow and Griliches contain these author's thoughts on progress in productivity analysis. The latter paper, which concludes the volume, suggests that new knowledge, the source of longer term productivity growth, remains a

badly understood process. The recent focus of productivity analysis on the new economy has brought back into the fore the old tools of productivity analysis reviewed extensively in this volume. As this debate moves more in the direction of measuring and analysing the impact of information technology on TFP, there are also likely to be further advances in the tools of productivity analysis. In the meantime researchers interested in this topic could benefit from a careful consideration of many of the papers in this important volume.

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Efficiency in the Public Sector: Studies in Productivity and Efficiency. Edited by Fox (KEVIN J.). (Dordrecht and London: Kluwer Academic Publishers, 2002. Pp. x+300. £80.50 hardback, US \$115.00 hardback. ISBN 0 7923 7563 7.)

The Public Sector accounts for a significant share of economic activity in Western countries. Therefore, assessing its performance is quite important. Several techniques have been developed to this purpose. Among these, the one based on the concept of 'production frontier' has become very popular. International experts in this field met at the International Conference on the Public Sector Efficiency, organised by the Centre for Applied Economic Research (CAER) at the University of New South Wales, Sydney, Australia, 27–28 November 1997, to discuss how to use the 'frontier' in the public sector and this book, edited by Kevin Fox, contains their works.

It is divided into two parts: the first part is titled 'Issues in Public Sector Efficiency Evaluation' while the second part is titled 'Efficiency Analysis in the Public Sector-Advances in Theory and Practice'. In Part 1, Knox Lovell discusses why efficiency in the public sector matters, while Quiggin analyses critically the impact of microeconomic reforms experienced by several countries; more interestingly he shows that frontier methodology can be used to assess the potential impact of this type of reform. Yaisawarng presents a very interesting DEA-based procedure to allocate resources among units in a PA allowing to link specific efficiency targets to both incentive and monitoring mechanisms. Finally, Grafton and Squires analyse the impact of the privatisation of a common pool of resources.

In Part 2, Diewert and Lawrence use the frontier approach to compute the efficiency costs of different capital taxes in Australia. Coelli compares three alternative approaches to the calculation of total factor productivity of a sample of Australian electricity-generation plants. Fare *et al.* build a Malmquist-type index where consumer satisfaction is included. The advantage of this formulation is that it allows to measure quality change. Finally the last three chapters are devoted to the efficiency in the public health sector. Morrison Paul measures the efficiency for a sample of hospitals in New South Wales; the approach she uses is pretty standard, but the added value of her contribution is that she shows how important it is to consider quality. This issue is taken care of next by Roos who shows a new methodology to link hospital productivity to changes in the discharge health

status. Finally, Erlandsen and Forsund compare the efficiency of nursing home care and home-based care in Norway, using DEA. This volume is useful reading for both policy-makers and scholars who will find new ideas and useful suggestions for their research and work.

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Population Matters: Demographic Change, Economic Growth, and Poverty in the Developing World. Edited by BIRDSALL (NANCY), KELLEY (ALLEN C.) and SINDING (STEVEN W.). (Oxford: Oxford University Press, 2001. Pp. xvi+440. £45.00 hardback. ISBN 0 19 924407 3.)

World population grew at an unprecedented rate during the twentieth century, and the policy issues surrounding population growth are of immediate concern. Economists from Malthus onwards have discussed these issues, but no consensus has emerged and beliefs have ranged from the extreme pessimism of neo-Malthusians to the extreme optimism of cornucopians. This edited book, which contains papers presented at a symposium held in November 1998, aims to summarise recent research and shed light on how population, economic growth and poverty are related.

The book has five parts. Part I surveys the current debate on population growth and traces the shift from pessimistic 'population-crisis' arguments, prominent until the 1970s, to neutral 'revisionist' arguments. Much of the alarmism about population has originated outside economics, whereas economists have normally recognised the economy's ability to adjust to demographic change. A revisionist stance takes proper account of long-run feedback effects stimulated by an expanding population, although it will not necessarily yield an optimistic or neutral outlook. In fact, the book suggests that revisionist work on population growth has exaggerated its neutrality and that a deeper analysis leads to a pessimistic view.

Parts II and III form the core of the book. Part II comprises four empirical studies investigating how demographic change influences macroeconomic performance. Among the key findings is that population growth is not neutral and may hamper economic development, especially in the poorest and least developed countries. Another major theme is that the age composition of a population matters as well as the growth rate: the typical pattern observed during the demographic transition is for dependency ratios to rise because of youth dependency, then fall, then rise again because of old-age dependency, so that economies receive a temporary 'demographic gift' between two periods of increased dependency. Long-term economic prosperity hinges on whether a country can exploit its demographic gift. Experience varies among countries but there is a risk that rapid population growth will impede economic development.

Part III examines how high fertility in developing countries has affected poverty and the income distribution. Correlations between poverty and large family size are widely observed but the direction of causality is uncertain. Low incomes may induce high fertility through the hope that children will raise family income or support their parents in old age; conversely, high fertility could retard economic

growth and reduce incomes through the Malthusian mechanism of diminishing returns and decreased output per head. The empirical studies in Part III use both micro and macro data; the results confirm the complexity of fertility behaviour but imply that lower fertility should raise economic growth and reduce poverty. In particular, lower fertility may reduce competition among unskilled workers and thus raise their wages.

Parts IV and V consider the environmental and policy aspects of population growth. The single chapter in Part IV describes the various ways in which agricultural systems can adjust to population pressures and assesses the consequences for natural resources and the environment. Part V concludes the book with some commentary on population policy. Emphasis is placed on the need for policy-makers to understand how behaviour at the micro level bears upon population changes. Limited policy intervention is felt to be warranted, as long as this respects individual preferences and promotes rather than hinders economic growth: examples would be education and health programmes, measures to raise the status of women, and non-coercive programmes of reproductive health and family planning.

A notable strength of the book is that it brings out the intricacy of economic-demographic interrelationships and draws attention to areas neglected by the previous literature. It is also cautious in reaching conclusions, offering a compromise between rigid neo-Malthusian and speculative cornucopian attitudes. Perhaps inevitably, the difficulty of the subject leaves most of the analysis open-ended: the causality problem looms large, and the empirical results are capable of alternative causal interpretations. The book acknowledges the importance of institutional context, yet its reliance on neoclassical theory misses opportunities for a broader, interdisciplinary perspective.

Generally, however, the book provides a thorough overview of recent economic research on population growth, together with some new empirical results and some careful policy analysis. It should be of great value to policy-makers, economists and other social scientists interested in demographic change and economic development.

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The Law and Economics of the Environment. Edited by HEYES (ANTHONY). (ALDERSHOT and LYME, NH: Edward Elgar, 2001. Pp. xvi+409. £69.95 hardback. ISBN 1 84064 339 0.)

Economic analysis of any environmental problem inevitably raises issues that relate directly to questions of law. Such questions arise in terms of the causes of such problems and consequently are of prime importance in the design of potential solutions. Potentially, then, the title of this book suggests a huge and diverse subject area from which to include material. Indeed the essays contained in this volume do cover a wide diversity of questions although the majority are concerned to a greater or lesser extent with the application of economic analysis to legal

principles and the implications of this analysis for policy design. Some common themes can be discerned in the fifteen essays included in the book and the editor outlines these in a very helpful introductory chapter which sets the context of the collection and draws out the important issues that are raised.

Of the themes that the book contains the issue of liability is, perhaps, the most important. Three essays deal with various conceptions of liability and analyse the implications of different liability regimes from an economic viewpoint. Boyd and Ingberman examine the welfare effects of extending environmental liability vertically through chains of contracts (i.e. from the polluter to suppliers, lenders etc.) or chains of ownership. Boyer and Porrini focus their chapter specifically on the extension of environmental liability to those who lend to polluters and compare the impacts on social welfare of such legislation to those of a system of regulation. In contrast to these papers Lewis and Sappington consider a system of horizontal liability (similar to that existing under the Superfund) whereby a group of companies involved in the same environmentally risky activity could be held responsible for environmental damage that any one of them may cause. These different perspectives on the liability question each contribute to enriching our understanding of, what has become known as, the judgement-proof problem (wherein a polluter's limited assets means that it is judgement-proof since it may not be able to compensate victims fully for the losses they may suffer as a result of the polluter's activity).

Alberini and Austin use an econometric model of chemical-spill frequencies in the US to test whether they are influenced by state-level environmental policies based on liability. Their general conclusion being that such pollution incidents are reduced in those states that impose strict liability. The liability theme is also continued in chapters by Phillips and Zeckhauser and Sigman who explore issues surrounding the clean up of contamination.

Other themes explored by contributors include; enforcement, the role of criminal law as a tool of environmental policy, using insurance as protection against environmental risks, locational aspects of the siting of environmentally hazardous activities, and a Coasean analysis of decentralised, collaborative environmental management mechanisms. Additionally there is a useful and informative chapter that documents the experience of David Chapman and Michael Hanemann in their roles as expert witnesses in the case of the *American Trader* oil-spill.

A possible criticism of the book for European, and other, readers is the predominant focus on the United States and, in particular, issues surrounding the Superfund. That this is so is not surprising given the US has well developed legislation relating to the environment and that the US Congress is eager to subject environmental legislation to tight economic considerations. However, this is not to say that this volume will not be of interest to non-United States readers; the questions it raises are pertinent to environmental issues that are international in scope. Of particular relevance to the European situation are the essays relating to issues of liability since the European Union is in the process of constructing a legal framework for environmental liability and important lessons can be learned for this new regime from the US experience with Superfund and its various derivatives.

Each chapter has been specially commissioned for the volume although most seem to be updates or reworkings of previously published journal papers or research reports. This, however, does not detract from the value of the volume as a whole and their collection together here represents a valuable addition to the library of those who are concerned with studying, teaching, analysing, practicing, or making, environmental law as well as students and practitioners of environmental economics.

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Money, Capital Mobility, and Trade: Essays in Honor of Robert A. Mundell. Edited by CALVO (GUILLERMO A.), DORNBUSCH (RUDI) and OBSTFELD (MAURICE). (Cambridge, Mass. and London: MIT Press, 2001. Pp. xxii+532. £37.95 hardback. ISBN 0 262 03282 1.)

This book originated out of a conference held to honour Robert Mundell's 65th birthday in October 1997. By happy coincidence (or was it perfect foresight?) Mundell was awarded the Nobel Prize for economics in October 1999, enabling the editors to include a Nobel Prize Background Survey by Torsten Persson, outlining the reasons why Mundell was awarded the Prize, and meaning that the book can also commemorate the awarding of the profession's highest distinction.

The authors include some of the world's top international macroeconomists, and it is certainly no coincidence that many of these were either students of Mundell, or students of his students, or students of these students, and so on. A number of the papers develop ideas generated by Mundell in the 1960s, and one cannot fail to be struck by how relevant many of his concerns and ideas still are today. An attempt to classify the papers might seem invidious; however, if forced to do so, I would describe five papers as being largely concerned with crises, four as open economy macroeconomics, whereas two focus on the international monetary system, two on international trade and the remaining two on economic policy. In the remainder of the review I will discuss the papers I found of greatest interest; however, my failure to mention a paper does not imply anything – all the papers are good.

In chapter 1, 'The International Effects of Monetary and Fiscal Policy in a Two-Country Model', Caroline Betts and Michael B. Devereux revisit the Mundellian theme of the international transmission of monetary and fiscal policy, now analysed in a version of the Obstfeld-Rogoff 'redux' model with intertemporal optimisation, imperfect competition, and (temporarily) sticky prices. They conclude that the critical factor explaining the international transmission of monetary policy is the currency in which exports are priced, whereas the structure of asset markets is crucial for the international transmission of fiscal policy. In chapter 3, 'Fostering Financial Stability: A New Case for Flexible Exchange Rates', Roberto Chang and Andres Velasco consider the relationship between currency and financial crises by embedding the classic Diamond-Dybvig model of bank runs in a general equilibrium macroeconomic framework. They conclude that while under fixed exchange

rates the first best outcome cannot be achieved and there may be a self-fulfilling crisis, flexible exchange rates enable the social optimum to be obtained – a ‘so-far ignored advantage of flexible exchange rates’ (page 137). In chapter 9, ‘Saving, Investment, and Gold: A Reassessment of Historical Current Account Data’, Matthew Jones and Maurice Obstfeld study whether the Feldstein-Horioka paradox of high correlation between countries’ investment and savings rates persists in data from the classical gold standard period. One important question they analyse is the treatment of gold flows in the balance of payments statistics. The authors present revised balance of payments statistics for a number of countries – which should be of value to researchers in this area – and conclude that there seems to be some support for the Feldstein-Horioka relationship in this period. In chapter 11, ‘Money Shocks and the Current Account’, Philip Lane explores the effects of money shocks on the current account using a VAR methodology, concluding that a ‘surprise monetary expansion generates a persistent external account surplus’ (page 406), and in chapter 14, ‘Tariffs, Unemployment and the Current Account: An Intertemporal Equilibrium Model’, Shouyong Shi considers the macroeconomic effects of tariffs in a dynamic general equilibrium framework with search frictions. The aim is to explore the possible macroeconomic case for tariffs in a framework with rigidities where policy can improve welfare. But there is little support for a macroeconomic role for tariffs, hence reinforcing results reached by Mundell and others, in a variety of different frameworks, that the case for protection on macroeconomic grounds is extremely suspect.

One is wary of the quality of many conference volumes, but this is an exception. The papers are of high quality, and a number are important contributions and should receive considerable attention. One minor reservation is that some of the papers seem a little dated and not to have been revised since the conference. Robert Mundell should be pleased with such a birthday present, and proud of the enormous influence his work has had on the development of international economics in the past 30 years.

JOHN FENDER

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Openness and Growth: Proceedings of the Bank of England Academic Conference on the Relationship Between Openness and Growth in the United Kingdom, September 15th, 1997. Edited by PROUDMAN (JAMES) and REDDING (STEPHEN). (London: Bank of England, 1998. Pp. x+316. ISBN 1 85730 126 9.)

This volume records the proceedings of conference convened to appraise the Bank of England’s Openness and Growth Project and its introduction, authored by the editors, James Proudman and Stephan Redding, provided the context for the five sequential sessions held on the day. In the first of six substantive chapters the editors, assisted by Marco Biachi, pose the question ‘Is international openness associated with faster economic growth?’ Responding to their own question, they provide a brief summary of growth literature to review the concepts of Σ and Φ convergence of national income per capita and posit a twin peaked distribution of international income. Discriminant analysis is proffered to suggest that while

openness allows a poorer country the potential to catch up with the rich, its absence results in a lingering economic performance in the lower division.

Proudman and Redding turn then to an assessment of revealed comparative advantage in trade of manufactured goods to examine changes in product specialisation in the light of recently published literature on endogenous growth and international trade. Their investigations of international trading performance finds that industries in the United Kingdom exhibit greater mobility than their German equivalents. The third chapter, by Redding, surveys the theoretical literature on openness and growth to seek procedures appropriate to test models of endogenous growth and technology adoption. This explores theoretical concerns raised already in the preceding chapters and provides a framework for the subsequent empirical investigations that examine the relative performance of the manufacturing sectors which comprise British industry.

At this stage of the conference Gavin Cameron joined the editors as a co-author of three empirical papers which examine the relationship between openness and the relative productivity of specific sub-sectors. The first of these, 'Deconstructing growth in UK manufacturing', describes the characteristics of 19 manufacturing industries to indicate substantial heterogeneity, measured across sectors and through time, of inputs, production, labour productivity, and total factor productivity (TFP). Conventionally one would normally refer to these as the characteristics of economic growth but a salient feature of the period under consideration, 1970–92, is the decline in the real value of total output in the manufacturing sector. However, even more rapid falls in hours worked across the whole industrial sector, and within sub-sectors, resulted in rising labour productivity and growth of TFP. Unsurprisingly, there are substantial differences between the experiences of specific industries and temporal subdivision of the era reveals that productivity growth was much better in the decade after 1979 than was so in the period 1973–9. These data are used then to investigate the intra-distribution dynamics of industrial productivity growth, using a methodology derived from the income/growth convergence literature, to find considerable mobility, as measured by the indicators employed, but no evidence of either Σ convergence or divergence.

With openness measured by indices representing imports and exports, tariff barriers and foreign direct investment, and stocks of knowledge indicated by the accumulation of international research and development, the next chapter analyses the relationship between international exposure and the well-established pattern of productivity performance of individual manufacturing industries. Additionally, taking advantage of the high degree of correlation between these five measures, 'a single, broadly based empirical measure of openness' was created using principal components analysis. Regression analysis reveals a positive and significant correlation between productivity growth and these measures of international openness. Discriminant analysis, used to sort industries into groups which exhibited higher or lower openness, provides supplementary evidence as lower rates of TFP growth are found amongst sectors identified as members of the closed group, and *vice versa*. This analysis is extended in the final chapter which investi-

gates changes in the UK-US productivity gap for specific industries in terms of catch-up caused by three factors: domestic innovation, the potential for transfer from the leading country, and the rate of transfer from the leader to the trailing economy.

While the conference on 'Openness and Growth' raised important issues, each reported well in this volume, I have a few reservations. Although long run economic change was a central issue, economic historians had no place at this conference. Of those present, the UK resident came but short distances, all bar one from inside the boundaries of the golden hexagon centred upon London and co-terminus with the more prosperous south east of Britain. It is indeed a view from Threadneedle Street. Representatives from the regions hardest hit by the late twentieth century industrial decline, the north of England, Wales, and Scotland, might have offered a different perspective. Finally, there remain a methodological point and a consequent comment concerning economic policy. Although they make much of the statistical significance of their econometric results, the authors have somewhat less to say about the economic significance of these. I am reminded of McCloskey's point concerning 'oomph'. The results presented here suggest that an average annual increase in openness raised the growth rate of TFP, which averaged 1.38% per annum between 1970-92, by less than 10%. It is not difficult to imagine a politician being tempted to resist economic policy advice which offered such scant returns when faced with the attendant risks of increased exposure to the global economy.

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Globalization and the Perceptions of American Workers. By SCHEVE (KENNETH F.) and SLAUGHTER (MATTHEW J.). (Washington, DC: Institute for International Economics, 2001. Pp. xiii+130. ISBN 0 88132 295 4.)

Recent WTO and IMF/World Bank meetings have attracted mass protests and voices of opposition from a wide variety of people. Opposition to trade and globalisation policies come from individuals and groups and is linked to preferences and perceptions. Scepticism about the costs and benefits of globalisation are on the increase and date back long before Ross Perot (a 1993 US presidential candidate) famously voiced his opposition to the reduction of international trade barriers when he argued that if America 'just stopped trading with the rest of the world, we'd be \$100 billion ahead'. So does 'Joe Public' understand globalisation issues or are they on a bandwagon of objection?

This timely microeconomic analysis of individuals perceptions of (economic) globalisation [defined in this book as the 'increased integration of product and factor markets across countries via trade, immigration and FDI' (page 1)] highlights the role of labour market interests in shaping perceptions of and preferences about globalisation. Extracting data from a variety of primary sources all assembled in the American Public Opinion Databank, Slaughter and Scheve

present a picture of the views of a broad population of Americans about globalisation and identify attitudes of the masses to international economic policy.

Scheve and Slaughter's most interesting development is the way they compare data on US citizens' perceptions and policy preferences with labour market pressures that globalisation – through liberalisation – may be imparting on the US economy. They argue that perceptions and preferences among US citizens about globalisation seem to be closely connected to the labour market and that this is a source of substantial scepticism about globalisation. Findings imply that US citizens' perceptions and preferences do not simply reflect ignorance about the economic benefits of liberalisation: US citizens do appear to understand some relevant linkages (although their focus seems to rest on the potential costs rather than the potential benefits). Furthermore, US citizens believe that globalisation has slowed real-wage growth and increased relative wage inequality (although it is not clear whether US citizens perceive this to be driven by changes in comparative advantage associated with factor bias – and in particular skill-bias – or sector bias technical change). Their second major identification is that opposition to globalisation is much more likely to come from the less-skilled (which constitute the majority of the US labour force), but that the sector in which they work does not effect preferences and perceptions. I am left unsure whether this is because people feel that globalisation affect all sectors equally or whether the low-waged, less-skilled workers are more envious of the monetary rewards and opportunities of the skilled within and between sectors. Link this with Scheve and Slaughter's identification that the higher educated are more likely to prefer freer trade, it might be (or it might not be if you are Ross Perot) worth making a course in economics compulsory for high-school and/or university students.

I found this an extremely interesting book. The source and angle of approach is innovative, the findings appealing and the clarity of argument refreshing. This information could be usefully applied by spin-doctors and politicians to gain support for their particular international economic policies, but the authors did not hypothesise and develop this area at all. Nevertheless, as globalisation comes under ever-growing scrutiny, this work should be read by policy-makers, researchers and students of international and labour economics (while the less-skilled should read more economics). Further research on the connection between the actual and the perceived labour market pressures of globalisation should be encouraged.

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Kriticheskie issledovaniya o potreblenii alkogolya v Rossii. By DMITRIEV (VLADIMIR).
(Moscow: Russkaya panorama, 1911. Pp. 368. ISBN 5 93165 29 6.)

This book on the economics of alcohol consumption in Russia is a reprint of a book originally published in Moscow in 1911 by the famous Russian economist

Dmitriev, author of the well known *Ekonomicheskie ocherki. (Seriya 1-aya: Opyt organicheskogo sinteza trudovoi teorii tsennosti i teorii predel'noi poleznosti)*. (Moscow, 1904). He is best known to most Western economists from the English translation of the latter book entitled *Economic essays on value, competition and utility* published by the Cambridge University Press in 1974 with an excellent Introduction by D. M. Nuti. The book under review is a modern edition (eg with modern spelling) of the 1911 book, which contains the original Foreword by Struve, an Introduction by G. N. Sorvina, and useful notes. It is part of a movement in contemporary Russia to revive the name and reputation of outstanding Russian economists of the nineteenth and twentieth centuries who were ignored (or repressed) in the USSR. As far as Dmitriev personally is concerned, the book shows that he was not just a gifted theoretician, but also an economist concerned with major socio-economic problems of his time. As far as Russian economic thought is concerned, it shows that the economics of alcohol consumption was a major issue already a century ago.

The book is divided into two parts. In the first, shorter part, Dmitriev surveys, the available statistics about Russian alcohol consumption. In the second, longer part, he analyses the factors determining changes in alcohol consumption. He argues that neither income nor price factors are decisive. Instead he adopts a structural explanation. *Per capita* consumption by the workers was much above that of the peasants, so that average consumption was determined by the share of the workers in the total population. He treats alcohol consumption as a socio-economic issue, reflecting the process of 'depeasantisation' and transition to an industrial capitalist society. It follows that neither price rises nor a reduction in the number of outlets selling alcohol would influence significantly the level of alcohol consumption. Unfortunately the issues discussed by the author are still relevant today.

This book is a classic in Russian – and international – economic thought. It will be interesting both to those concerned with the economics of alcohol consumption and drug addiction and also to those interested in the history of economic thought, especially Russian economic thought.

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Engendering Economics: Conversations with Women Economists in the United States. By OLSON (PAULETTE I.) and EMAMI (ZOHREH). (London and New York: Routledge, 2002. Pp. xv+267. US \$31.95 paperback, US \$120.00 hard back. ISBN 0 415 20556 5, 0 415 20555 7.)

Picture the ideal economist – did you think of a woman?

Are careers in economics gendered in significant ways? This fascinating book is an attempt at oral history research focusing on a sample of eleven women economists in the United States who obtained their doctorates in economics between 1950–75, a period when an extremely low percentage of all economic doctorates were awarded to women (by 1950s the figure dropped below 5 percent, and only in the late 1970s did it surpass the 1920 percentages). It merits reading by economists

interested in their profession, its evolution and dynamics. This is additionally relevant in the current context of discussions on falling student numbers in economics, and the relative invisibility of women in economics.

One of the many strengths of this book is the way in which Olson and Emami provide the context for their project as being viable and important for moving beyond the modernist conception of 'objectivity' to a feminist understanding of 'strong objectivity'. That is, by locating the contextual values and priorities of researchers in an academic discipline, one can understand the structural barriers and power relations which constrain individual agency within the field. The insights thus gained have the potential of being much richer than simple statistical surveys.

The theoretical perspectives of the economists interviewed range from institutionalism, Marxism, Keynesianism, postKeynesianism, social economics, socialist feminism, to 'modified' neoclassical (or, 'eclectic'). The conversations take the form of responses to a common set of questions about their reasons for choosing economics, role models and mentors, training in economics, career and family balances, and experiences as professional economists. The answers vary greatly but interesting commonalities emerge.

For instance, none of the women began their college careers as economics majors. Almost all experienced the pressures and constraints of patriarchy in their graduate programmes (though not everyone recognised it as being discriminatory at the time). Most note the complete lack of faculty assistance and mentoring at the dissertation stage. And, as primary care givers (73 percent were wives, about 64 percent were mothers and 54 percent had children during graduate years) they often had a disproportionate share of family responsibilities. In reflecting upon the present day discipline of economics, almost all note its metamorphosis into being more abstract, theoretical, mathematical, less policy oriented, and some also mention the insularity, exclusion, and resistance to alternative perspectives.

As women, getting a sense of entitlement in the discipline is sometimes difficult in the face of cultural stereotypes and social pressures of the postwar era. Ingrid Rima remained twelve years as an assistant professor because she 'didn't knock on the door', Marianne Ferber recalls how in the process of getting a fellowship at Chicago, Lloyd Mints who voted against her asked 'why should we invest our scarce resources in women who are only going to get married and have babies?' (page 37), and her fury at Jacob Viner's reference that she was the best 'woman' student he had ever had (the twist: as far as anyone knew, she was possibly the only woman student he had ever had!). At her PhD interview at Harvard, a senior professor asked Myra Strober if she was normal, that is, if she wanted to get married and have children, and if so, why would she want to go to graduate school (she eventually went to MIT). Barbara Bergmann and Alice Rivlin recount a dean at Maryland who had a 'no women!' policy. Margaret Simms and Barbara Jones, two African American economists in the study, illustrate the complexities stemming from being black, female, and an economist. Jones found that people's response to her decision to major in economics was to point out the importance of home economics for women.

The many ways of being a woman in economics is illustrated by the great deal of diversity in the conversations. An interesting thread to follow in the book relates to the future agenda of making economics more relevant and interesting as a discipline. Does economics need an alternative paradigm informed by the feminist critique? While Rivlin and Rima worry about the 'fringe field' of feminist economics, Strober is inclined to think that a new paradigm based on analysing provisioning (rather than choice) is needed. On the other hand, Ferber, unconvinced by Robert Solow's argument in *Beyond Economic Man*, presses for pluralism in the wake of the recognition of the complexity of the world. This view of the importance of dissent and criticality is shared by Suzanne Helburn and Lois Shaw who stress the importance of recognising ethical judgements and issues.

But, do the difficulties of economics share a wider pedigree, being simply, the problems of modernist knowledge? In answering the question of why more women are not attracted to economics, Anne Mayhew distinguishes between those who regard this as a pedagogical problem, and those (including herself) who argue that it is the substance of what is taught that seems irrelevant and uninteresting to people because it does not have much to do with the world in which they live, or a better one that they might want to create. To an extent, Bergmann would agree (economics needs to be much more empirical), but where Mayhew sees value in the debate over postmodernism and modernism, Bergmann sees murky abstract French trash. Lourdes Beneria whose career experienced a transition from a mostly subsistence economy to the highly monetised market economy of the United States ('Rational economic man was somewhat of a stranger to me', page 233) would lie somewhere in the middle. She agrees with Solow and argues for a paradigm recognising the importance of qualitative work and associating economic analysis with social problems. But, she also believes in the relevance of the postmodern critiques of universalising theories, and comments on the irony that they were used to beat Marxism, when neoclassical grand theory has mostly managed to ignore the postmodern critiques.

No doubt much has changed for women in economics but it remains crucial to address the issues arising from these conversations so that women feel themselves not simply in economics, but of it. Given that the time period covered by this cohort was important for recent American history, this volume does a worthwhile job in examining how disciplinary content is shaped by its practitioners, and what their experiences are in the field.

The disenchantment with the contemporary direction of the discipline articulated by these talented professional achievers (who loved economics enough to face the awesome difficulties involved) is important to fathom. A first step might be more focus on important areas of concern that get highlighted repeatedly in these conversations – income distribution, policy objectives, unemployment, well being, equity, occupational segregation, poverty, welfare, housework, child care, affirmative action, equality, racial injustice, social security, development, health care, gender division of labour, unpaid work, international trade. The way ahead might

involve connecting the political, social, moral, ethical (and not simply the technical) to the economic.

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Reference

Solow, R. M. (1993) 'Feminist theory, women's experience, and economics', in (Marianne Ferber and Julie Nelson, eds.) *Beyond Economic Man: Feminist Theory and Economics*, London and Chicago: The University of Chicago Press, pp. 153–158.

Economics, Ethics and Religion: Jewish, Christian and Muslim Economic Thought. By WILSON (RODNEY). (Basingstoke and London: Macmillan in Assoc. with Univ. of Durham, 1997. Pp. ix+233. £40.00 hardback. ISBN 0 333 62642 7.)

Procrastinators usually have little to redeem themselves of their sin of delay, but for this late review, fate appears to have provided absolution; the book of Rodney Wilson, on ethical issues in business economics, has acquired a timeliness in late 2002 that a reviewer can easily still highlight and tout. In most cases, the author too could bask in the enhanced relevance of his work five years after its publication. I doubt, however, this is the case with Wilson. The reasons for current concerns with tenets of the Islamic faith and the questionable legality of mega-bankruptcies and insider trading to which his monograph speaks are too raw and disturbing for him to glow in their reflected light. Nonetheless, the work, not responsible for the need for the economies of Judeo-Christian cultures to understand better those of Islam nor for the attention drawn to the suspicious valuation of huge internationals' stocks, stands independently, at the ready, to show the distraught, confused or simply curious reader that many intellectuals – economists, philosophers, theologians, political scientists, jurists, and specialists of economic ethics – have for some time been thinking, puzzling, and pushing these issues, most relevant at the moment, toward the fore for discussion.

Economics, Ethics and Religion is really the opening chapter to the author's broad, polemical thesis: that the economic activity of societies, particularly welfare and distribution aspects, *ought* to be tempered with moral concern. The work provides primarily a literature review, limited, as Wilson announces at the outset, 'to an investigation of the view of economics in the world's three major monotheistic religions' (page 2). Thus, in 2, 3 and 4 of the book's five chapters the most prominent views of Judaism, Christianity and Islam on economic issues are summarised in turn, both from their root sources, the scriptural and legal texts of each religion, as well as from subsequent periodic analyses by representative believers. Thematic concentrations of influential ideas are discussed under separate subtitles. Thus, Wilson devotes potentially comparative subsections to 'wealth', 'banking', 'interest', 'markets', 'trade and commerce', 'prices', and 'resource allocation and management', while he addresses 'money', 'exchange', and 'scarcity' specifically in the chapter on Judaism and economics, 'value' within his discussion of Christian economics, and 'just rewards', 'investment', 'finance', and 'insurance' as sub-fields of Islamic economic ideas.

Since 1997, Wilson would have undoubtedly supplemented his annotated bibliography with many fitting titles: for example, Robert Banks and Kimberly Powell, eds, *Faith in Leadership*, (San Francisco: Jossey-Bass, 2000), Susan L. Buckley, *Teachings on Usury in Judaism, Christianity and Islam* (New York: Edwin Mellen Press, 2000), Paul S. Mills and John R. Presley, *Islamic Finance: Theory and Practice* (London: Macmillan Press, 1999), Ismail Serageldin and Joan Martin-Brown, eds, *Ethics and Values: A Global Perspective* (Washington, D.C.: The World Bank, 1998), or John O'Neill, *The Market Ethics, Knowledge and Politics* (London: Routledge, 1998). Given not only the support of the majority of the authors he cites for a strong role for ethics – in the working of economic systems and in the use of human responsibility in allocating resources – but to the new groundswell interest in the subject they treat, Wilson might, however, also have considered extending his work, giving more support to its central purpose. In an era when a technology writer for *The New York Times*, David Pogue can expect a reader's knowing smirk as he equates the brevity of a document entitled 'The Enron Book of Ethics' to that of a web address (in his article on new wireless self-contained computer screens 'A Screen that Cuts the Cord', August 8, 2002), a full-blown exposition of Wilson's thesis could well have a strong following. This issue here is, however, not that Wilson's work is 'oh so pre-9/11' and its diving stock-market aftermath, but rather that what it lacks, persuasive arguments for its position, might now be less noticeable ... A readership faced with its ignorance of Islam and disgusted by billionaire CEOs walking away from fraudulent book-keeping might not even sense the need for academic arguments to support an embryonic plea for a role for ethics, philosophical, legal and/or religious, in contemporary business practices.

For the work to have more than immediate appeal, however, its argumentation would have to be retailored. Although Wilson seems to believe that his 'study could have been confined to economics and ethics, with no reference to the work in this field by economists with strong religious beliefs' (page 1), if it were to have been, the reader would have faced an entirely different polemic, a much more challenging one. Wilson's evidentiary literature and editorial glosses do allow him to conclude on page 213: 1) that the great monotheistic religions probed provide some rules to govern economic life, 2) that their tenets can be a major influence on the economic behaviour of believers, and 3) that, although there are marked differences in worship and approach within and between the three, these religions share many moral concerns in the economics sphere. These points are, however, a far cry from Wilson's expressed focus in Chapters 1 and 5, that since it is possible to carry out economic activity, particularly business affairs, unethically, (certainly not an accepted premise in today's canonical economic theory), ethics must be a part of economic teaching and research, even to the point of recognising a 'specialism' or discipline of economic or business ethics, (a proposal whose pedagogical, epistemological and ontological merit is only barely broached). The challenge of going beyond 'preaching to the converted' still remains.

BETSEY PRICE

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The Life and Times of J. Neville Keynes: A Beacon in the Tempest. By DEANE (PHYLLIS). (Aldershot and Lyme, NH: Edward Elgar, 2001. Pp. xviii+315. £65.00 hardback. ISBN 1 84064 534 2.)

The diaries of John Neville Keynes have been plundered by many historians for their insights into Cambridge academic life from the 1870s to the 1920s, especially in respect of Alfred Marshall's tenure of the Chair of Political Economy from 1885, the relentless campaign on the part of Marshall to establish the Economics Tripos, and the grand falling out with Foxwell over Pigou's succession to the Chair. Keynes was Maynard's father of course, and the author of *Scope of Method of Political Economy* (1891), the first systematic appraisal of economic method published in English and the forerunner of Robbins' *Essay on Nature and Significance of Economic Science* (1932). His previous book had been his *Studies and Exercises in Formal Logic* (1884), a comprehensive textbook worked up from his lectures for the Moral Sciences Tripos. So far as economists are concerned, there then followed decades of silence – although he died in November 1949, outliving his first son by more than three years.

Phyllis Deane's account reverses all this: it places Keynes at its centre and sheds light on Cambridge academic life through attention to an academic career in its broadest sense – in November 1949 he was in his 232nd consecutive term of Cambridge residence. Keynes began his diaries, unenthusiastically, at the age of twelve in 1864. Early on, however, he became an indefatigable recorder of the outcome of innumerable games of chess, bridge, cricket, croquet, and archery, and when in 1869 he began to keep a diary in earnest we find his record of adolescent life, such as 'kissing Emily Williams' at a children's party. The Fawcett's were family friends in Salisbury. When Keynes was awarded a University College, London scholarship in July 1869 Henry Fawcett, Professor of Political Economy at Cambridge since 1863 (and Alfred Marshall's direct predecessor), advised him to go for two years to London and then on to Cambridge. This advice he followed, remaining at University College in fact until 1872, when he won a mathematics scholarship to Pembroke College.

By now Keynes had become a compulsive diarist, and so his record provides unique insight into the life and doings of a Cambridge undergraduate at an important point in Cambridge history – when the transition from religious foundations teaching classics and maths to a modern research university teaching across a range of disciplines in arts, sciences, and the 'moral sciences' was entering its final phases, and, importantly, the new foundations for women students were being formed. Elected a Fellow of Pembroke in 1876, he determined upon a university career in the moral sciences, by the autumn in 1876 lecturing twice weekly to women students in logic (at the request of Sidgwick), to other students in political economy, and attending Marshall's annual tripos dinner party in December that year. And so as he became an ever-more indefatigable diarist, reporting on conversations, events, transcribing letters at length, his diaries become a detailed record of Cambridge life in an age of reform from the standpoint of a reforming liberal; but also including a blow by blow account of his courting of Florence Brown, one of his Newnham students, during the 1880 May races.

Marshall – who had in the meantime also married one of his Newnham students – had academic ambitions for Keynes. When appointed to the Cambridge chair at the end of 1884 Marshall was lecturing in Oxford; impressed by the active interest in political economy among Oxford students at the time, he sought to secure a sympathetic successor who might continue his representation of the subject. He considered Keynes the ideal man for the job, suggesting that in a very short time the chair of political economy might fall vacant and that Keynes, in Oxford, would be the natural candidate. Keynes demurred. He had moved into the newly-built 6 Harvey Road in November 1882; in 1885 he finally prevailed upon his widowed mother to move to Cambridge, where she settled at nearby 54 Bateman Street. Deane's account emphasises Keynes' domestic pre-occupations; his family home soon became a social centre, and so while his life moved increasingly into University administration, this in no respect brought about a separation of his university and family life.

In 1881 Keynes had become assistant secretary for the Cambridge Local Examinations and Lecture Syndicate, a key element in the formation of a national school examination structure in later nineteenth century England. Keynes' methodical and careful approach to his work impressed itself upon his senior, and in March 1892 – after the publication of *Scope and Method* – he became secretary of the Syndicate, able to introduce those administrative changes over which he had chafed during his long years of apprenticeship. In November 1892 he became a member of the Council of Senate. Within six months he had become its secretary. Given that the Vice Chancellorship was a two-year appointment rotated among college heads, this was a position of exceptional administrative importance to university reform. In 1910 Keynes became the Registrar, the head of the central University administration, and therefore the key Cambridge figure in the post-war reforms brought about by the Royal Commission for Oxford and Cambridge, reporting in April 1922. Apart from rationalising the University into a Faculty structure, and reorganising University finances, the Commission supported an alteration to the pattern of University decision-making such that the armies of non-residential MAs who had hitherto blocked progressive reform were disenfranchised. The statutes were rewritten to the effect that only resident MAs could vote on University matters in Senate debates, a move which brought the University into the new century.

Deane concludes with Pigou's personal recollections of Keynes in committee, 'perfectly courteous and always completely unruffled, his mere presence seemed to prevent pointless loquacity; so that everything went through smoothly and all with surprising speed'. Perhaps Pigou also had in mind here Keynes' vigorous presentation of the university's case in May 1916 for his exemption, at the age of 39, from war service – although of course Pigou was a member of an ambulance unit and saw enough war service during the vacations in France and Italy to last him for the rest of his own long life.

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Social Capital versus Social Theory: Political Economy and Social Science at the Turn of the Millennium. By FINE (BEN). (London and New York: Routledge, 2000. Pp. vii+293. £19.99 paperback. ISBN 0 415 24179 0, 0 415 24180 4.)

Social Capital versus Social Theory is a collection of works, most of them previously published and now reviewed, which are linked by the common thread of the radically-approached critical review of 'social capital', a widely spread tool in economics as well as in other social sciences, which is understood as networks of trust that facilitate cooperative and collective action.

In Part I, Fine points to the origins of the idea of social capital to criticise its contribution to the prevention of a proper confrontation with political economy, and how it has become something chaotic, both in origin and in evolution. The key idea in order to understand the author's position with regard to social capital lies in its consideration as an economic category, whose popularity may indeed be explained as a consequence of the power of capital and the imperialism – a term also used by the predominant economic trend, such as in Lazear (2000) – exercised by economics over other social sciences. From this perspective, the book intends to answer the following question: how has it achieved such a high level of popularity? According to him, the answer is to be found mainly in the very power of capital. Starting from the economic category of capital, which in the author's view is social *per se*, he shows how capital and capitalism are understood, at least as far as their social structures, relationships and processes are concerned, providing this way the theoretical background for the book as a whole.

Part II comprises a revision – somewhat impolitely at times – of the main theoretical contributions towards social capital, and namely of the works of Becker, Bourdieu, Coleman, and Putman, with the aim of showing the boom of social capital in social sciences. It then focuses on the ways followed by the economical approaches to social theory. Specially, the analysis of Becker's evolution from human capital to social capital needs to be highlighted, which in Fine's words '(...)' is a social that is very limited in scope, being relational only in the sense of summing individual interactions other than through the market although (...) these can be thought of as incorporating or leading to institutions, norms and values' (pages 50–51).

In Part III, the author analyses critically the World Bank's actions carried out in the context of the so-called Washington consensus on the one hand, and of the recent adoption of social capital amongst the World Bank's strategies for promoting development and reducing poverty, on the other. After making a critical analysis of the World Bank actions in the frame of the so-called Washington consensus, the author shows a certain degree of suspicion about the process of change promoted by Stiglitz, as a reflection of the revolution in and around economics applied to development studies, which has been materialised in a sort of transition from neoliberal positions to a more state-friendly policy. Fine's criticism to the post-consensus is based on the arguments usually deployed by the heterodox positions with regard to the standard economic analysis: its being based on the methodological individualism and on the assumption that the individual motivation is reduced to utility maximisation, as an exclusive rule of conduct. The

inclusion, without ulterior motives, of the notion of social capital in the research agenda of the World Bank is summarised by the author with the sentence '(...) the winter of discontent of the Washington consensus is made glorious summer for the post-Washington consensus through the instrument of social capital' (page 132).

The book ends with a revision of the different approaches of the standard literature (capital theory, social choice theory, social norms formation) to tackle the problems of measuring social capital, to pessimistically conclude with a summary of the reasons for the high degree of popularity reached by social capital despite the existing effective limited criticisms. On this point, the author reduces both the scope of the concept in itself and its possibilities of application to the social sciences, by irremissibly binding the idea of social capital to neoliberal economic thinking. Moreover, he assumes economics' imperialist attitude towards the rest as undeniable. Despite the clear measurement problems of social capital and the need for specifying its contents, this tool has actually turned out to be a useful instrument to widen the scope of the analyses in some areas such as health policy (Hawe and Sheill, 2000) or in the analysis from feminist political economics of the effects of the market economy on family activities (Ciscel and Heath, 2001).

All in all, and in spite of the author's relatively narrow perspective to assess the spreading of social capital in the field of social sciences, this collection of essays contributes to fill the existing gap in the area of critical reflections of such notation, as a tool able to contribute to save the standard economic analysis from its excessive methodological dependence on the individualist approach.

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