

- resources boom with a rapid growth in mineral exports. This adversely affects the competitiveness of export- and import-competing industries, causing their contraction and leaving the economy's manufacturing base weakened at the end of the boom (see Gregory (1976, 2012)).
2. The growth rate from 1992 to 2002 was affected by the fact that the economy was just coming out of the early 1990s recession.
 3. RGDI measures the purchasing power of total incomes generated by domestic production by including the impact of the terms of trade on GDP.
 4. In December 2013, household saving ratio (seasonally adjusted) stood at 9.7%.
 5. As if beverage exports are going to solve the balance of payments problems!

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Geoffrey M Hodgson, *From Pleasure Machines to Moral Communities: An Evolutionary Economics without Homo Economicus*. University of Chicago Press: Chicago, IL, 2013; xvi + 305 pp.: 9780226922713.

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In this book, Geoffrey Hodgson presents his thoughts about the relation between economics and morality. The Preface and Introduction are followed by two chapters that underscore Hodgson's main starting point that modern economic approaches to modelling human motivation do not adequately consider the social nature of human beings, which he claims has played a central role through individual and group evolution in the development of non-selfish motivations. Two chapters follow that define and discuss possible evolutionary underpinnings for morality, forming the intellectual centrepiece of

the book. The next four chapters – including two re-prints of previously published articles – offer further explorations of the relevance of morality in particular subfields of economic analysis (industrial organisation, corruption, health economics and environmental economics), and the final chapter concludes with thoughts about the relevance of morality to policy.

Hodgson's quest begins with the following supposition (p. 70): '[T]here must be some biological triggers for cooperative behavior that help explain both the existence of cultural universals and the emergence of a critical mass of cooperation in human groups'. The 'cultural universals' he has in mind have to do with unselfish behaviours and attitudes, for some of which – specifically, care, fairness, loyalty, respect and purity (p. 114) – he documents others' evidence of cross-cultural support. The first objective of his intellectual enterprise is, then, to ponder the evolutionary origins of these cultural universals, in terms of both traditional Darwinian evolution and the evolution of social groups: 'We require evolutionary explanations of the origin and persistence of morality' (p. 103). Chapter 5 attempts to provide such explanations, drawing on the natural selection of individual traits that support pro-social behaviour (dealt with in short shrift in a single paragraph on page 114) and, clearly of more interest to Hodgson, on the natural selection of groups that promote self-sacrificial norms: 'Groups with strong moral systems that enhance cohesion and cooperation can have fitness advantage over other groups with less effective moral systems' (p. 120). To Hodgson, the *homo economicus* model is inadequate largely because of its complete omission of group-related phenomena, including big abstractions related to the development of selfless behaviour like culture, institutions and power. He concludes that some alternative model that accommodates both morality and its evolutionary basis is required in order to tackle effectively many of our modern policy questions.

The book is eloquently written and carries a philosophical flavour. The prose has the feel of a lounge-chair conversation with a learned professor over a couple of brandies in the library of a great university. The general topic area is also likely to be a hit, with increasing calls in the past 15–20 years from both inside and outside the economics profession for an expansion of the workhorse economic model of individual atomistic maximisation. Behavioural economists and those interested in corruption, regulatory capture, natural resource preservation, tax compliance or self-sacrificial behaviour more generally may all be attracted to this book.

Hodgson demonstrates facility with a broad scope of information and tantalises the reader with abbreviated discourses about many big ideas that festoon behavioural science and philosophy – such as the relation between a government and its people (Chapter 10), the nature of human needs (Chapter 8), the theory of the firm (Chapter 6) and cultural relativism versus absolutism (Chapter 4). It is no mean feat to cover such breadth of territory in fewer than 250 pages of content. Entertaining bird's-eye reviews are presented of particular intellectual histories, such as the ebb and flow of ethics as part of economics (in the Introduction), different treatments of emotional and altruistic aspects of human motivations (in Chapter 4) and the varying approaches proposed to crafting environmental policy (in Chapter 9).

Yet, Hodgson's strong focus on comparing and contrasting prior approaches and indulging in philosophical debates is also his undoing. While deftly commenting on the

advantages and deficiencies of the varied frameworks of prior authors, and despite engaging in a number of well-written debates about the nature of morality, Hodgson ultimately fails to provide an intellectually coherent and practical alternative to existing economic models. In Chapter 9, for example, he asserts that '[g]iven that neoclassical welfare analysis is misguided, we urgently need an alternative' (p. 205), and yet in the following pages, no coherent alternative is presented. What is presented instead is a motley collection of ideas that are argued to be related in some way to such an alternative model, but are not united by Hodgson into a useful whole – including entropy, the role of the state, corruption, technological development, the role of science and education, structural variety and worker welfare. The reader looking for intellectual convergence is disappointed and left wondering how it all fits together. At a highly abstract level, we are provided only with the reassurance that 'Darwinism may provide a meta-theoretical framework wherein fragmented and diverse insights may be integrated and further developed' (p. 211). Fragmented and diverse insights indeed seem to be the order of the day. One senses that Hodgson is aware at some level of the conceptual weakness of his work, and it is only human for him to hope that some big idea, like Evolution, will somehow tie everything together more neatly. But, at least in this book, the prophesied unification does not occur.

Hodgson's critics – who will naturally include those mainstream economists who have built their careers on the existing frameworks that he disparages – will inevitably use the fact that he does not offer a coherent alternative to reject the whole of his argument, if they even go so far as to read his book at all. The book hence sits squarely in the camp of the 'heterodox' economics community, from which broadsides against mainstream economics are regularly fired and celebrated, mainly by those from within that community, while being summarily ignored by the successful mainstream. The many pages devoted to repeatedly pointing out the inadequacies of mainstream models and to armchair philosophising about sundry interesting ideas will suit the taste of a reader who is already aligned against mainstream economics and wishes to find a friendly voice. By contrast, the comparatively few pages devoted to reduction, synthesis and convergent thinking will only frustrate a reader interested in true scientific advance. In this sense, the book does a disservice to its own sound motivation and potentially to other thinkers who try to address similar concerns in a more constructive fashion (e.g. Frijters, 2013).

The second main drawback of the book is its casualness in regard to the core concept being considered. This concept is frequently stated to be 'morality'. This is a word that may resonate with readers frustrated with what they perceive as an increasing moral decrepitude in today's societies, whether in politics, business, healthcare, young people or anywhere else. Yet, this catch-all term is not self-evidently equivalent to the many types of feelings and behaviours (such as reciprocity, justice, self-sacrifice, guilt, benevolence, not murdering others) that are used as motivators throughout the book. The lack of deep engagement by the author in what exactly is meant by 'morality' leads unavoidably to the production of a shallow argument.

Take, for example, the notion of 'loyalty to your group, family, nation, or ingroup', one of the 'five sets of innate value-intuitions' that Hodgson reports on page 114 to have been found by Haidt and Joseph (2004, 2008) to be evident across cultures. This 'value-intuition' is presumably one of the core parts of the 'morality' construct that Hodgson

feels requires incorporation into our economic models. Such an incorporation would necessarily require that economists be able to translate the word 'ingroup' and model how the loyalties to different parties listed in that definition are created and prioritised. Yet, no serious consideration is given by Hodgson to the mental construction of the 'ingroup' towards which a modern socialised human exhibits self-sacrificial behaviour, nor even to the self-evident fact that many, possibly competing, parties or 'ingroups' may exist for a single person.

To see why this is a limitation, consider the central moral dilemma featured in the *Bhagavad-Gita*, in which the prince Arjuna stands on the battlefield and sees his own relatives, friends and teachers facing him on the other side. Is it his moral duty to lay down his weapons or his moral duty as a warrior to fight? Which 'ingroup' has the first or strongest pull on his loyalty? After consultation with his advisor, Arjuna marches into battle. Would Hodgson consider this act immoral? By what criteria would or should the act be judged moral or immoral? Furthermore, since Hodgson implores us to consider the evolutionary underpinnings of morality, what role do individual or social evolutionary underpinnings play in evaluating a choice like Arjuna's? Notwithstanding his lengthy recapitulation of prior thought about the nature of morality, particularly in Chapter 4, the book – a book purportedly about 'moral communities' and their evolution, no less! – does not provide guidance on practical questions like this. Real people, who are not amoral Economic Men but socialised humans, much as Hodgson describes – and are hence emotionally committed to behaving in accordance with ideological principles, rather than always in a blinkered self-serving fashion – face situations every day where they must choose between two unpalatable options. Most decisions worth deliberating about, and on which economic decision-makers would welcome well-reasoned practical guidance, are those in which the 'moral' alternative is not obvious. Hodgson tries to dodge questions about the applicability of his treatise to practical questions like this with even more general statements, like '[s]cience may be able to tell us about mechanisms or outcomes, but it tells us much less about how we should evaluate them' (p. 99), while still asserting that '... an understanding of how morality works – in motivational, group survival, and evolutionary terms – can help us when making practical judgments' (p. 99). How exactly can it do that? The curious reader wants to know.

The absence of serious engagement with tricky real-world dilemmas brings us to the wider issue of the book's repeated absolutism about knowledge and welfare. Hodgson rejects both cultural relativism and the use of subjective well-being as a maximand in welfare analysis, insisting that '[n]o amount of pushpin can ever surpass great poetry' (p. 6); that 'alternative and more sophisticated positions are possible' than the stance that people know what is best for themselves (p. 20); and that '... for humans there are unavoidable moral commitments. And some moral rules are ethically superior to others' (p. 82). He also unapologetically implies that certain (educated, enlightened) people should tell others what to do and further that this belief is widely held and underpins many of our resource allocation decisions: '[i]t is precisely because we believe that some people do know better that we employ experts, cultivate scientific research, and spend huge amounts of private and public money on educating adults and children' (p. 213). What is the reason for Hodgson's absolutism? One possibility is that it is an outgrowth of his own moral code that has become too big for its britches. Himself a product of

Western education and upbringing, Hodgson (like most of us) must hold a strong emotional commitment to ideologies, and these are likely to include the idea that education brings enlightenment and that certain values (coincidentally, the types he believes in!) are better than others. To convince a sceptical audience that this is not the reason for his absolutism, evidence would need to be presented about the relationship of alternative moral codes with human welfare, broadly considered, across time or space.

What is missing from the text is a well-argued and independent stand on exactly what morality is, how it is generated or manipulated and what its practical consequences are for society. Without this, the book's repeated calls for actions judged more ethical – for example, '[p]oliticians should sometimes appeal to our better nature ...' (p. 237) – seem baseless. More broadly, the book omits a justification for why 'morality', however it is defined, is the appropriate core construct that must be adopted into economics. Why morality rather than power, group loyalty, ideology, sacrifice, love or religion, for example?

Hodgson is to be congratulated for his astute recognition of many of the core principles and forces that economics must come to terms with in order to progress as a science. What is unsatisfying is that he does not analyse any of them in depth. A good example of this is the construct of power. Power is correctly identified by Hodgson as a source of hidden constraints on behaviour and something relevant to institutional influence: '[e]conomics must unavoidably be about social structures of power and position, as well as the properties of individuals' (p. 43). Yet, there is no further insight provided about the nature of power and how it can be incorporated into our economic models, which means that Hodgson limits himself to providing only a superficial analysis of situations in which power is directly involved, such as when he discusses the role of the state and the motivation of experts.

On page 202, Hodgson claims that '... democracy ... in turn can be used as an engine of policy and moral development'. This is unarguable, but the natural next question is how and why that does or does not happen in real societies, and this question cannot be addressed without an understanding of the source and degree of power of the democratic state relative to other groups to which its citizens belong. Similarly, Hodgson's discussion near the end of Chapter 9 about experts and their role in society is hindered by not examining the sources and types of powers drawn on and faced by those experts that lead them to fulfil their professional responsibilities, rather than merely to use their positions to seek the most for themselves. Furthermore, while the nature of the professional responsibilities of a given occupation may differ from culture to culture, again no guidance is provided in the book for crafting workable policies to promote particular professional ideologies that might be found to be welfare-enhancing (more 'moral', perhaps). Compare the archetypal Western tailor with the archetypal Indian tailor, for example: in the first case, quality workmanship is arguably the core professional ideal, while in the latter case, performance of the duty of shirt-making, because it is what one's caste dictates, is arguably the core professional ideal. Why the difference? Is one better, in a welfarist or moral sense, than the other, and if so, then what do we do to support the establishment of the better one in societies that do not yet feature it? Without a deeper analysis of groups and power, Hodgson can provide no wise guidance on this question or other questions he discusses relating to corruption, the economic profession, healthcare system policy and so on.

Hodgson's natural inclination is to back away from providing direct guidance on such matters, preferring to shield himself by meaningless generalisations ('[a]rguably, human societies are partly differentiated from other animals in terms of developed institutions and cultures' (p. 53); '[w]e can reflect on our situation and even resist our emotions. Some people may rebel against prevailing norms' (p. 119); 'both individuals and societies can develop in many different ways' (p. 125); '[p]olicy solutions are not straightforward ... [h]ealthcare decisions by consumers and practitioners are made in a complex, evolving environment' (p. 191); '[d]iversity and pluralism within scientific disciplines must be neither too little nor too great; (p. 223); '[i]gnorance of a valid morality does not mean that it is non-existent' (p. 83)). Bland statements like these crowd out deeper consideration of ideas and historical facts that are central to the development of a coherent argument about the nature and economic relevance of unselfish behaviour.

Other examples abound of what has been crowded out. For one, arguably the most successful group type that our species has ever created is the nation state, and with its rise has come the most massive reduction in violence and promotion of ideals of equality and human rights that the world has ever seen. Yet, Hodgson spectacularly fails to use this as an example of a type of social group that promotes pro-social ideals. On another level, the process by which individuals become socialised, which is the process that generates individual commitment to non-selfish ideals, is also seemingly central to his argument yet is only briefly glossed over with a few platitudes such as this one: '[g]uided by our inherited impulses, we learn much of our morality from our parents or guardians' (p. 125)). A nod to the role of the unconscious mind in creating a human with selfless impulses is made briefly on page 134 and then summarily ignored for the rest of the book. '[D]ignity and self-regard' are claimed to be 'irreducible aspects of individual personality' (p. 164) – but not further examined. Surely if such constructs are fundamental to the production of selfless behaviour, then they warrant further analysis in a book that aims to illuminate the nature of such behaviour. How are these constructs formed and manipulated, and what is their role in human motivation? How do they relate to the ideas reviewed in the rest of the book? The same questions can be asked of many other constructs in the wide array of potentially interesting and challenging areas that Hodgson touches upon.

Finally, the exposition is at times unnecessarily moralistic. Perhaps this is intentional, given the book's topic, but it is also at heart unscientific: it asks the reader to accept certain value judgements as self-evident rather than requiring either proof or support in terms of scientific logic. For example, in the Preface, it is asserted that mafia gangsters live by 'highly deficient' moral codes; on page 4, it is claimed that economics' 'moral tradition, going back to Adam Smith and Aristotle, has to be highlighted and strengthened'; on page 226, it is claimed that '[s]cience should drive the processes of meeting individual and social needs'; on page 238, in the final paragraph of the book, it is claimed that '[human moral] motivation should be enlightened and enhanced'. These claims are given no justification, nor is there guidance about how to implement these explicit or implicit suggestions, even if we wanted to. It is very easy to draw readers in with well-crafted statements and examples of how mainstream economic approaches minimise the self-evidently important impact of institutions, socialisation, evolution and group

influence on man; it is much harder to satisfy the attention thereby obtained by providing a realistic means for economics to incorporate these aspects of reality.

The limitations of the *homo economicus* model are real, and many of Hodgson's eloquent pleas resonate strongly. Social science would almost surely benefit, for example, from the generation of more evidence about the 'prevalence of moral norms that sustain mutual cooperation and public spiritedness' (p. 237). Similarly, many of Hodgson's basic complaints are valid, such as that 'the standard core of expected utility theory is *unfalsifiable*' (p. 52, italics in original). This makes it particularly frustrating that his ultimate contribution in this book is left only half-baked. The first few chapters eloquently make the case that *homo economicus* and the trappings of this construct (such as the model of individual utility maximisation and the idea of rationality) are unsatisfactory as conceptual frameworks to support a full understanding of human behaviour. Yet by the end of the book (p. 237), his own summary of what has been argued demonstrates that we are still where we started:

It is beyond the scope of the present work to explore these important issues in more detail. But the case has been made for abandoning the misplaced ideology of rational, self-interested individualism that has dominated economics in the twentieth century. Humans are moral beings, and a task of social science is to understand the role of morality in social life and the possibilities for moral community.

For the further exploration needed to develop that understanding, it seems we must await Hodgson's next book.

In sum, much of what Hodgson observes and claims is self-evidently true and does deserve more attention from economists if we wish to build a more realistic model of human behaviour and society. Yet, a deeper analysis and a more constructive alternative need to be offered in order to convince a sceptical audience that it is desirable and possible for our discipline to incorporate evolutionary underpinnings of modern behaviour or to reject wholesale our present models of Economic Man because they have no moral dimension. Only an insane person would abandon a leaky ship if there is no alternative means of flotation. The book is hence a teasing and incomplete, if eloquent and well-versed, treatment of a worthy topic.

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