high and parties are reasonably certain that such inequalities will persist then there is no reason to grant to each according to her basic needs.

But then the first worry comes back in: if the bargaining asymmetry between the Athenians and Melians is particularly high then they will likely decide on a principle of conflict resolution decidedly less fair than Moehler's WPU. And if such is the case, then has the contractarian project actually succeeded? Ought we embrace a contractarianism that *only* guarantees us agreement, only *sometimes* getting us morals?

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Economics for the Common Good, Jean Tirole. Princeton University Press, 2017, xi + 563 pages.

Ever since the financial crash of 2008, economics has been under siege. The profession's failure to predict the crash (leading to the famous

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Queen's question[1]); the US electorate's embrace of Donald Trump's and his rejection of economists' views on trade and immigration; the UK politician's assertion in the run up to the Brexit referendum that people were tired of economic 'experts'; the rise of populist mercantilism in Eastern Europe; the criticisms by economics students of ivory tower analysis and excessively abstract curricula; all have put economists and their discipline on the rack.

As Jean Tirole points out at the beginning of his book, the economists' position has not been helped by the popular identification of the discipline, and hence of its practitioners, with the market economy: a mechanism for allocating scarce resources that, despite some very obvious successes, has, in Tirole's words, 'won neither hearts or minds'. Economics appears to have lost sight of the common good, at least in the perception of many politicians, of most (non-economist) commentators and journalists, and, not coincidentally, of much of the world's population.

Tirole, a winner of the Nobel Prize in Economics, thinks this perception is fundamentally wrong, and, in this remarkable book, he sets out to correct it. In his view, economics is not, and should not be, in the business of defining or specifying what constitutes the common good. What it can do is to distinguish ends from means and then analyse, develop and improve the means. Thus the competitive market should be identified as one of a set of possible means to the ultimate end of promoting the common good, and not as an end or social objective in itself. Economics can then identify areas of failure in markets and in other mechanisms of allocating resources, such as governmental command and control, and can offer effective means to remedy such failures.

Tirole demonstrates his thesis by showing where – and how – economics can make contributions of this kind. The range of subjects covered is extraordinary. There are detailed discussions of the financial crash (of course), and more generally of the role of finance in the economy; of the travails of the euro; of the problems in the labour market (especially in France); of the issues raised by digitization; and the challenges of economic regulation. There are also more general discussions of the limits of the market and the role of the modern state. The focus in each case is what economics can contribute to the debates in the area – which turns out to be a lot. Inevitably, some areas are covered in more depth than others, but every one is worth reading. Indeed, I am tempted to say that each is essential reading for anyone interested in the issues concerned and in their possible resolution.

Perhaps the most interesting section, though, at least for readers of this journal, can be found in the earlier parts of the book where

[1] 'Why did nobody see it coming?'. Question asked by Queen Elizabeth II of economists during a visit to the London School of Economics in November 2008.

Tirole discusses recent changes in the discipline and in its underlying philosophy. Here Tirole refers to the famous metaphor of hedgehogs and foxes used by Isaiah Berlin (1953) in his essay on Tolstoy's view of history. In a quote attributed by Berlin to the Greek poet Archilochus, 'the fox knows many things, but the hedgehog knows one big thing'.

Forty years ago, Tirole says, most economists were hedgehogs. They had one big idea: the competitive market. 'They were aware, of course, of the limits of this model, and they were pursuing other possibilities but without having an adequate intellectual framework for doing so' (101). Now, he argues, things have changed. Economists are more like foxes, with much more complex models and modes of analysis. 'The models have become less parsimonious (meaning they take into account more considerations) but they allow the study of new questions essential for public policy and business strategy' (103).

In passing, I might note that, if we are to use animals as models, I'm not sure I would pick hedgehogs as exemplars of single-mindedness. Their most obvious characteristic seems to me to be one that may or may not apply to economists, past or present: prickliness.[2] But I would agree that many economists forty or more years ago were hedgehogs in the Berlin/Archilocus sense, although the big idea on which they were fixated was one that is much broader than the competitive market. This is the idea discussed by Tirole in a section of the book Economics on the Move. It is the widespread prevalence of *homo economicus*: the presumption that most individuals were primarily self-interested and that the majority of their activities and behaviour could be explained as the result of their consistent attempts to pursue that self-interest. Further, most economists would have accepted the view that individuals' behaviour, especially in the field of the allocation of economic resources, could be best understood as the outcome of a constrained optimization exercise. Economic agents in markets, whether consumers or firms, had a single objective function – utility in the case of consumers, profits in the case of firms – that they maximized, subject to the constraint of limited resources. And this was not only true for market behaviour. The activities of those working outside the private market, in government, for instance, could also be best understood as the outcomes of a consistent, self-interested maximization process: for instance, politicians aimed to maximize votes and civil servants to maximize the size of their budgets. In the 18th century terminology of Bernard Mandeville and David Hume, everyone dealing with the allocation of scarce resources – in and out of markets, in and out of government – was assumed to be a self-interested knave – and a consistent and 'rational' one at that.

[2] Something like Frank Sinatra's persistent ant from the song *High Hopes* 'trying to move a rubber tree plant' might be more appropriate ... .

Now, arguably, this was a form of economic analysis that did contribute to the common good – and still does. Much human behaviour can be usefully analysed in these ways, as indeed Becker himself demonstrated. And, of course, a principal result of the results of that analysis is to show that, as Adam Smith famously argued, knaves behaving this way in competitive markets under certain conditions can promote the common good effectively, and indeed more so than if they had directly set out to do so.

Despite the apparent successes of Smith's invisible hand, the view that this simple form of *homo economicus* is an accurate description of the way that people actually behave has long been challenged by non-economists. And now economics itself is on the move. In particular, the development of behavioural economics has challenged a number of elements of this idea. First, behavioural economists have argued that agents do not necessarily maximize, at least in any meaningful sense of the word. Even when they do, they do not seem to do so in a fashion that generally conforms to the 'rationality' axioms or conditions to which *homo economicus* is supposed to conform.

But the second challenge to *homo economicus* is even more important. This lies in the assumption that it is a single objective function that is maximized: utility, profit, votes, budgets. Economists are increasingly recognizing that individuals have multiple aims that guide behaviour, aims that often conflict and hence that necessitate trade-offs. Thus individuals have a concern for others' well-being as well as their own: what we might term – in contrast to knavish – knightly preferences or concerns. In the corporate and enterprise world, firms have an interest in their social and, increasingly, in their environmental impact, as well as in their profits. Politicians, civil servants and others working in government, although obviously far from immune from the temptations of self-interest, are also driven by a genuine motivation for public service.

Early work in the field of multiple objectives was undertaken by the social policy analyst, Richard Titmuss and, more recently, by economists such as Bruno Frey and, if I might indulge in a spot of knavish self-advertisement, myself. Now many distinguished economists and behavioural scientists are working in the area, including Dan Ariely, Nava Ashraf, Oriana Bandiera, Roland Bénebou, Timothy Besley, Maitreesh Ghatak, Nobel Prize winner Oliver Hart, Adam Oliver, Luigi Zingales – and Jean Tirole.

A study of Tirole's described in the book, and that serves as a good illustration of his work in this field, is that of the analysis that he has done with Roland Bénebau on the crowding out of intrinsic motivation to perform pro-social or knightly acts by the introduction of external rewards or penalties for performing or not performing those acts. That such crowding out can occur is indisputable, though exactly how much varies from situation to situation.

Bénebau and Tirole argue that, when individuals undertake, or consider undertaking, pro-social or knightly activities, they are motivated by three factors: intrinsic motivation, extrinsic motivation in the form of a financial reward or penalty, and 'the attention given to the image of themselves that they project' (143).

The last of these is an interesting idea. It postulates that people are very concerned about their pro-social or knightly reputation and hence are very sensitive to others' perceptions of their actions. In particular, they are worried about the possible interactions between any form of extrinsic reward and that reputation. So, the argument runs, if someone undertakes an apparently altruistic act, but receives a reward for doing it, they feel that other people will not perceive it as altruistic, but assume that they were only in it for the money. Hence this will reduce their motivation to undertake the act concerned.

This idea is plausible and indeed Tirole cites empirical evidence to back it up. But it does not, I think, fully capture the psychology of all altruistic motivations or of the phenomenon of crowding-out. People may not only worry about the damage to their reputation but also about the damage to their image of themselves. They may view themselves as 'good' people and feel that to receive an external reward for undertaking altruistic acts would run counter to that view. More specifically, as I have argued elsewhere, they may feel that for an act to be considered altruistic – whether by themselves or by others – it has to involve a degree of personal sacrifice (Le Grand 2006: Ch. 4). The sacrifice could take the form of time, as with much volunteering, or of money, as with financial donations to charity; perhaps also personal effort or discomfort, as with blood donation. Whatever form it takes, however, there has to be some degree of sacrifice in an act involved for them to feel 'truly' altruistic in performing that act – and for others to judge them as such. So, if that act is accompanied by an external reward, the feeling or perception of sacrifice is reduced or eliminated: hence the motivation to perform the act is reduced.

Another fruitful area for the economics of multiple objectives concerns the theory of the firm. There are many stakeholders in a firm's activities: shareholders, employees, the firms in its supply chain, the consumers of its products, and those affected (positively or negatively) by any externalities. Each of these stakeholders will have different aims or objectives; which aim dominates will depend on who is in control.

Tirole has some interesting things to say in this area too. In particular, he addresses the question as to why it is that, out of the many forms of governance that business could adopt, one predominates: that of majority shareholder control. As pointed out above, in addition to shareholders, there are many stakeholders in a corporation's activities, not least the corporation's employees, the firms that are part of the supply chain for the corporation's inputs, and the consumers of its products.

Some of these have at least as large a stake in the organization as any shareholder; the livelihood of most employees, for instance, may depend on it. Other forms of governance, such as employee-owned co-operatives, professional partnerships and consumer co-ops, do exist, but, as Tirole notes, they are relatively rare. Why is this? And, given the well-known deficiencies of the shareholder mode of governance (the short-term focus, the priorities in profit distribution given to dividend payments over re-investment for long-term profitability, the incentives for dubious accounting and for share price manipulation, etc.), is it desirable for this model to have such a dominant position?

Tirole addresses both questions directly. He argues that in most cases, firms, small, medium, or large have a 'driving need for finance'; and that investors simply will not provide the financial capital required 'unless the return they expect to receive from their investment is at least equal to what they could obtain from other investments' (177). Since any firm that gives significant decision-making power to stakeholders other than investors is likely to generate a lower return than its competitors, the investors will withdraw their money; the firm will decline and may ultimately go bankrupt – in which case employees will lose their jobs, and consumers their products. Hence it is not only in the interests of shareholders that investors have control, but in the long-term interests of all the other stakeholders as well. And for that reason, shareholder control is not only inevitable, but socially desirable – everyone is better off in consequence.

However, here again his argument needs some modification. For shareholders are not the only stakeholders that can reduce or withdraw their stake in a firm while increasing their stake in a firm's competitors. Employees can withdraw their labour, and consumers reduce their demand for the firm's products, each of which can lead to the demise of the firm as effectively as the withdrawal of capital. Tirole acknowledges this in one area: firms that require large quantities of human capital or highly skilled labour are vulnerable to the scarcity of these resources, and he argues that it is no coincidence that most of the firms that work in areas that provide professional services, such as the legal, accountancy and management consultancy professions, are not owned or controlled by shareholders but instead take the form of professional partnerships: essentially workers' co-operatives.

But there is a broader point here. It concerns the ease with which various stakeholders can vary or withdraw their stake. Consumers can easily reduce their 'stake' in a product if competitors producing a similar product exist; they simply switch their purchases to those competitors. Hence, in a properly functioning competitive market, there is no real case for direct consumer control of the firms concerned: for they already have a large measure of control over the firm's activities by virtue of their purchasing power. However, in cases of natural monopoly or increasing returns to scale (as may be prevalent in energy or water production, for instance), where dissatisfied consumers have nowhere else to go, there is a strong case for putting consumers or consumer representatives on the board of the firm. Similarly, if employees can easily find other jobs, and if there are few personal costs to the transition from one job to another, there is not a strong case for employee representation on the boards of the relevant firms. However, in times of less than full employment or in the (many) cases where employees have their livelihoods tied up in the firm and would face massive personal disruption in finding another job, it may be desirable to have a greater degree of employee ownership and control – even if it means some degree of investor flight.

There is a further point, discussed by Tirole in a section on the social responsibility of business. Much of these arguments are predicated on the assumption of *homo economicus:* that each of the stakeholders involved are fundamentally self-interested. However, in fact shareholders, consumers and employees may all have multiple objectives, including knavish ones to be sure, but also knightly concerns for others (Hart and Zingales 2017). Thus environmentally shareholders may be concerned about the impact on the environment of the firms in which they invest; consumers of products manufactured or grown in relatively poor countries may be concerned about the well-being of producers well down the supply chain; the employees of providers of social services may be concerned about the well-being of their users. Again this has significant implications for the governance and behaviour of the organizations concerned; and, again, Tirole has a great deal of interest to say in this area, usefully distinguishing between delegated philanthropy (where the firm does not sacrifice any profit from undertaking socially beneficial activities) from standard philanthropy (where it does).

I have gone into these areas in some detail, not only in the interests of the search for truth, but also to reinforce Jean Tirole's contention that economic analysis and debates over that analysis can be better used to further the common good. Both of the areas discussed illustrate the growth of a different kind of economics, one that analyses the behaviour of agents and institutions with multiple objectives. This is both enormously important for society as a whole (since most – all – agents do indeed have multiple objectives) and one that has historically been relatively unexamined. So this book, and the movement in economics that it represents, is immensely encouraging. Long may Tirole and others continue with this work: for it really is economics for the common good.

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Decision Theory with a Human Face, Richard Bradley. Cambridge University Press, 2017, xiv + 335 pages.

Bradley's stated aim for this book is to develop a normative decision theory for bounded agents like us. He thus differs from most normative decision theorists insofar as he does not wish to identify norms that govern the rational decision-making of ideal agents who possess unlimited cognitive resources, and differs from most behavioural economists insofar as he aims to outline how we *should* make decisions given our limited resources, rather than how we *do* make decisions given our limited resources.

Bradley not only goes a long way towards accomplishing this ambitious goal, but also develops many ideas along the way that will be of interest to decision theorists and formal epistemologists whose primary preoccupation is not advising human decision-makers. Thus Bradley's book is a definite success. But it's also a hard book – not only because it's impossible to fully appreciate his accomplishment without working through some rather demanding formal argumentation, but also because it's sometimes difficult to see the forest through the trees – i.e. to see how (and in what sense) Bradley's distinct contributions (spread across many chapters) are in service of a unified normative theory of rationality for bounded agents like us.

In what follows, I highlight some of Bradley's contributions on a section-by-section basis, while taking the opportunity to pose some specific questions that are prompted by the details of his work. Along the