

sharp contrast to those which laud Japanese management policies as prototypes for US corporations.

The final three essays in this volume fall under the heading 'Policy Issues.' This heading is somewhat of a misnomer in that very few concrete public policy options are offered. Michael Storper presents several case studies of local labor markets in France and Italy. He argues that regional factors and the development of 'product-based technological learning' explain the development and growth of the aerospace industry in Toulouse and mechanical engineering in the Haute Savoie regions of France and machinery in Emilia-Romagna, Italy. Kenneth Sokoloff argues that so-called industrial policies such as "trade protection, direct subsidies on capital costs and investment in research and development, or some sort of anti-trust enforcement has *not* resulted in above average growth in targeted sectors in the South Korean and Mexican economies." In fact, Sokoloff concludes that the "data for Mexico and South Korea indicate that industries receiving help through industrial policy programs realized slower rates of productivity growth over time." He correctly advocates greater reliance upon market based directives as opposed to state determined industrial policies for developing countries seeking to increase the productive capacities of their economies.

Overall, most of the articles reinforce the problems confronting labor: unionized and unorganized in the latter decades of the twentieth century. Some of the papers do a very nice job demonstrating the need for a multi-disciplinary approach to the study of comparative industrial relations. There are certainly no easy answers to the problems of stagnant wages, high unemployment, declining union membership and influence, etc. confronting in varying degrees the advanced and developing industrial and post-industrial economies. The present volume is a useful contribution to the description of some of these problems. Unfortunately, it offers little towards their reconciliation.

Robert N. Horn
James Madison University, Harrisonburg, VA, USA

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Viktor Vanberg, *Rules and Choice in Economics* (Routledge, New York, 1994), pp. viii+310, hardback \$ 59.95, paperback \$ 22.95.

Viktor Vanberg, a founding editor of the journal *Constitutional Political Economy* and the current holder of the faculty chair in political economy at the University of Freiburg that was once held by F.A. Hayek, is one of the leading proponents of the individualist perspective in sociology, politics and political economy in the current generation of scholars. A longtime student of the work of F.A. Hayek, and a colleague and collaborator of James Buchanan, Vanberg has pioneered his own framework for social analysis through a synthesis of Hayek's evolutionary perspective with Buchanan's social contractarian one. Three essays in the volume, for example, were co-authored with Buchanan (Buchanan is also acknowledged in four other papers for his comments), three other essays are critical expositions of Hayek's work in politics, philosophy and

economics, and two essays are comparisons between Buchanan and Hayek). This collection of 13 essays, all previously published over a ten-plus, year span, explores, critically assesses, develops and refines this individualist perspective toward social analysis. There is both a striking unity in the collection and growth of argument as the perspective is sharpened into a framework of social critique and reform, and it will benefit all that toil in the field of political economy (especially of the constitutional variant) to revisit these essays again and again. The final essay in the collection, 'Individual choice and institutional constraint: The normative element in classical and contractarian liberalism' especially deserves a close and careful reading.

The individualist perspective that Vanberg develops possesses both a methodological and normative dimension. First, Vanberg is a strict adherent of methodological individualism – the doctrine that all social phenomena must be traced back to the individual purposes and plans which gave rise to the phenomena in order to obtain a satisfactory explanation. His main focus of attention is on the emergence of institutions and organizations. Vanberg, following Hayek, puts emphasis on the spontaneous workings of the market economy (see pp. 77–106). But, he also pays attention to the conscious design of organizations and on the institutions of collective action, something which Hayek often appeared to neglect (see, e.g., pp. 125–143). Analytically, Vanberg represents a successful hybrid of the Austrian oriented research program of Hayek with the new institutional research program of property rights economics, transaction cost economics, and public choice economics. Second, Vanberg employs normative individualism as a benchmark against which alternative institutional arrangements are assessed. Normative individualism is *not* a goal of advocacy in his work, but rather the criteria for contrast. With regard to neither the methodological nor normative individualism reflected in these essays does Vanberg present a 'defense' of these perspectives for social theory in this collection. Rather, the 'test' of these perspectives rests with the analysis of social critique and reform they yield in the various essays.

Following his 'teacher' Hans Albert, Vanberg finds modern neoclassical economics to be deficient on two grounds. Modern economic theory is (1) institutionally deficient, and (2) behaviorally deficient. Classical political economy, however, possessed neither of these failings. In fact, the research program of political economy, according to Albert and Vanberg, can be generalized to all social analysis. Whereas modern economics possessed structure, but was hamstrung in terms of the questions it could address due to the deficiencies listed above, modern sociology raised the questions but lacks a theoretical structure to adequately address them. A rejuvenated political economy promised to avoid both of these pitfalls. It is for this reason that Vanberg was drawn to his close study of Hayek and Buchanan – because it is without doubt that these two scholars are the modern heirs of 19th century political economy, and Vanberg's work in synthesis is the most sophisticated of any of the attempts so far (see pp. 195–234). Where Vanberg differs from some neo-institutionalist writers, is that he does not believe that the institutional deficiency of contemporary neoclassical economics can be rectified unless the behavioral deficiency is corrected.

The difference between the more standard rational choice approach to the social sciences and the one pursued by Vanberg is that the core behavioral assumptions are different. Whereas, the standard economic approach to politics, sociology, law, or history

emphasizes the calculating nature of human choice, Vanberg wants to explore the rule following behavior of individuals and the way that institutional environments impinge upon the decisions of individuals. A purely formal 'logic of choice' is not enough to provide the analyst with the framework for comparing alternative 'rules of the game' with regard to their influence on economic decision-making and, thus, economic performance. Analytical attention must be focused on the social game (i.e. the complex web of cultural, political, legal and economic rules) within which individuals are participating. Moreover, since the world is quite complex and individuals are limited in their ability to 'know' the world, various habits and 'rules of thumb' are adopted (and adapted) by agents in order to cope with their ignorance (see pp. 25–38). Vanberg's research program can thus be seen as an attempt to explain the adoptions and adaption of individuals to different rules of behavior which guide human action, and the adoption, competition between, and adaption of different social rules of the game. The play between the individuals' choice-making ability, and the collective action decisions required for social order, is Vanberg's main focal point of analysis. As he states at one point, it is the interplay of the order of rules and the order of actions (a program he directly attributes to Hayek) that lies at the heart of the research program of constitutional political economy (see p. 109).

Thus, in Vanberg's work the constitutional political economy focus on *rules* is applied not only to the interaction of individuals, but also to the individual himself. Institutions and habits of living that constitute structures of *self-governance* are highlighted (both at the individual action and collective action level). And, when self-governance is not enough, then reasonable collective rules as constraints are suggested which in fact increase the opportunity for effective self-governance to work.

I was slightly troubled by three aspects of these essays. First, the critical reading of Hayekian evolutionism is more appropriate in my opinion to some of Hayek's followers rather than to Hayek himself. Of course, Hayek can be faulted for failing to stress the conscious and deliberate at the expense of the spontaneous, but that doesn't mean he ever denied the individual's rational action, nor did he advocate submitting to the blind forces of history. Vanberg does a wonderful job of dissecting this weak reading of Hayek that is prevalent in the literature, but is that reading of Hayek as a conservative really the most robust reading of Hayek's intellectual efforts? Second, perhaps more could have been made in Vanberg's treatment of individual rule-following behavior of the contributions that Hayek has made in terms of the rule-governed nature of cognition – that the mind itself is a structure of rules. The citations to Hayek's essays in epistemology, theoretical psychology and especially his book, *The Sensory Order* are there, but more work in teasing out the Hayekian thesis, and its implications for a theory of 'rule-individualism,' is required. Third, Vanberg's own framework for social analysis is too often hidden in his close (and often brilliant) treatment of the thought of others (especially Buchanan and Hayek). Vanberg's own contributions are there and can be easily gleaned, but his own intellectual modesty too often attributes the main point to others (which is a pretty good trait given the penchant of economists to claim originality for re-inventing the wheel), but I fear that the real contribution that Vanberg makes to individualist social science (in both the meanings he employs to that term) will be overlooked in a rush to judgement that assesses the work as a mere synthesis of Buchanan and Hayek.

With *Rules and Choice in Economics*, Vanberg establishes himself as one of the foremost individualist social theorists of his generation. There is much to profit from in this volume, and even more intellectual profits are to be reaped by those who pick up his challenge and explore the interplay between the order of rules and the order of actions.

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Peter J. Boettke
Department of Economics,
New York University, NY, USA

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Bertrand Munier and Mark J. Machina, eds., *Models and Experiments in Risk and Rationality* (Kluwer Academic Publishers, Dordrecht, 1994), pp. xi+438, \$ 114.00.

This collection of papers comes from those presented at the sixth Foundations and Applications of Utility, Risk and Decision Theory (FUR VI) conference in Paris in the summer of 1992. The papers included fall under six headings: (1) Psychological Aspects of Risk Bearing (papers by J-P Assaily, B. Cadet and P.J.H. Schoemaker and J.C. Hershey); (2) New Developments in the Theory of Risk Aversion (papers by A. Montesano, L. Eeckhoudt and H. Schlesinger, and J. Rothenberg); (3) Non-expected Utility Models and Tests (papers by E. Carbone and J.D. Hey, M. Abdellaoui and B. Munier, R. Sarin and P. Wakker, and Maurice Allais); (4) Multiple Criteria Decision-making Under Uncertainty (papers by K. Zaras and J-M. Martel, Q. Cao and J-P. Protzen, and C. Pellegrin); (5) Production, Firms and Markets (papers by E. Romstad and P.K. Rørstad, A. Chateauneuf, R. Kast and A. Lapied, and F. Quittard-Pinon and J. Sikorav); and (6) Games and Social Choice (papers by C.F. Camerer and R. Karjalainen, G. Laffond, J. Laine and J-F. Laslier, B. Allen, and G. Umbhauer).

As with most such volumes the papers were written in their original form two years prior to publication and at least three years prior to this review. The question then is not what is new but what is lasting. The scope of the papers in this volume is very broad despite the unifying theme of risk and rationality. I will confine myself, with one exception, to remarks on the set of papers addressing the issue of expected utility vs. nonexpected utility models of decision-making under uncertainty: Maurice Allais's 'An Outline of My Main Contributions to Risk and Utility Theory'; Carbone and Hey's 'Estimation of Expected Utility and Non-Expected Utility Preference Functionals Using Complete Ranking Data'; Abdellaoui and Munier's 'The 'Closing In' Method: An Experimental Tool to Investigate Individual Choice Patterns Under Risk'; Sarin and Wakker's 'Gains and Losses in Nonadditive Expected Utility'; and Camerer and