

arability problem. The list of advice covers several types of situations including those cases where intrinsic preferences are presumably absent in the population. In this case, the advice is to adopt the standard theory (pp. 205–207).

Bowles's book is highly readable and very inspiring. It provides the reader with an original informal interpretation of social preferences (including intrinsic motives) and describes a carefully chosen set of experimental studies which are re-analysed or discussed in some detail in order to support the book's main argument. However, some readers, in particular those with experience in conducting behavioural experiments, will object that many experimental results (e.g. with regard to the effects of punishments in public good situations) are not very robust or culture-sensitive. Replications often significantly fail or demonstrate effects which are much weaker than some prominent results from the literature. In many cases there are multiple alternative interpretations of experimental results, some of which would be in line with more standard ('homo economicus') approaches. This is due to the fact that in most experimental games there are multiple Nash equilibria, in particular for populations with pro-social motives.

With regard to normative constitutional theory, Buchanan's approach towards the construction of universal rules which are valid for an extended time horizon and possibly for a population with a high degree of diversity seems to me still warranted. Since such constitutional choices will necessarily be made under conditions of high uncertainty with regard to the properties of the affected agents and the specific distribution of social preferences, it may be a 'quasi-risk averse' choice (Brennan and Buchanan) to use the standard homo economicus assumptions as a first approximation. For the time being it seems to me that Bowles's approach will be most effective in cases of small and stable social situ-

ations with a fixed population of interacting individuals whose characteristics are well-known and homogeneous. In populations with heterogeneous individuals from different cultural contexts and with considerable migration, 'legislators' will in general not be able to gather much ex-ante information with regard to the specific mixture of preferences. This information, however, is necessary to estimate whether or not pro-social motives will be undermined to a significant degree by incentives that are provided by the constitutional rules.

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### **Institutions for 'Knaves' May Still Backfire—Liberal Civic Culture Needs to Foster Social Preferences: The 'Institutional Gardening' of Citizens' Virtues**

Samuel Bowles, Professor Emeritus at University of Massachusetts and now Director of the Behavioral Sciences Program at the Santa Fe Institute, New Mexico, is an economist with a long-standing interest in institutions' interactions with individual preferences and actions. Much of his work is dedicated to challenging deeply entrenched assumptions of economic theories about free markets and people's choices. This topic is also at the centre of the book, which resumes decades of work and thinking on the question of how better policies can be designed by taking account of the full range of motivations driving people's actions. For a long time, the standard economist's tale of why people do what they do has merely focused on costs and benefits

and a narrow concept of a self-interested citizenry, leaving out people's intrinsic, ethical, other-regarding and non-economic motivations. More recently, the turn to experimental economics has opened the door to a more nuanced account of human behaviour.

Bowles' point of departure is that the *homo economicus* model of behaviour is poorly equipped to understand people's choices as it wrongfully assumes selfish behaviour. While this might be bad news for theory, it is even more problematic when one thinks about the implications for public policy or, even more broadly, the polity as such. While the assumption of self-interest can be viewed critically when it comes to markets, it is even more corrosive for public policies where citizens act (and not consumers). When designing our institutions, it makes a difference whether we assume an income-maximising and self-regarding citizen or a citizen who is cooperative and generous. In other words, whether we design institutions for 'knaves' or for 'knights' is not a theoretical matter but has real consequences. Bowles claims in the book that the proliferation of self-interest may backfire and undermine the very functioning of public institutions. 'Perfecting' institutions from a rational-choice and incentive-based point of view may undercut 'people's civic-mindedness, their intrinsic desire to uphold social norms' (p. 3).

The most original and thought-provoking argument of the book is the crowding-out effect of material incentives. Bowles states not only that preferences focused on the self and those focused on others co-exist and that it would not be wise to neglect the moral dimension of human behaviour. In addition, he takes the argument a step further and highlights how both influence one another. He convincingly demonstrates the fallacy of conceiving morals and economic incentives as separable and, hence, additive. That implies that the level of both would not be mutually de-

pendent. Instead, he argues, economic incentives may harm moral concerns, which may lead to worse overall outcomes. One reason is that the existence or introduction of economic incentives signals to citizens that it is appropriate to follow an economic logic rather than to follow the logic of the public-spirited citizen. According to Bowles, many economists have tended to ignore two possibilities: 'first, the use of incentives to harness self-interest to the public good might attenuate civic virtues or its motivational salience, and second, there might be condition under which ethical and other-regarding concerns can jointly flourish and synergistically promote societal outcomes' (pp. 24–25).

Two prime examples from the book may serve to illustrate this important issue. The first one, a real-life experiment, is the abolition of unlimited paid sick days for the Boston firefighters in 2001 in order to reduce the sick call-ins on Mondays and Fridays. However, rather than reducing the sick days, the number of claimed sick days increased drastically. Bowles explains this unexpected outcome by the fact that the new system introduced distrust and the firemen 'abandoned their previous ethic of serving the public even when injured or feeling not well' (p. 9). The second example was an experiment. At six day-care centres in Haifa, the researchers introduced a fine for parents who picked up their children late. Standard economic theory would suggest that this extra cost would instigate parents' punctuality, but it did not. Twice as often as before, parents picked up their kids late. Bowles explains that the introduction of economic incentives into a voluntary system makes it easier for people to abandon their moral commitment and be late. They would rather accept higher costs!

For sociologists, such findings and insights are not entirely new. As a discipline, sociology was always sceptical of the reductionist view of human motivation and

is committed to the concept of embeddedness when it comes to human behaviour. A milestone here is Richard Titmuss' classic book *The Gift Relationship: From Human Blood to Social Policy* (1970), which also features prominently in Bowles's work. Titmuss, one of the founding fathers of modern social policy research, claimed that this introduction of economic incentives into the blood donation regime would fundamentally alter the motivational patterns underlying blood donation, and, ultimately, drive out other-regarding motives. If the main reason for blood donation is to help others, putting a price on donation may destroy these underlying motivational sources. By comparing the UK and the US, Titmuss argued that in the voluntary UK system at that time, the quality and the quantity of blood for transfusion was higher, whereas the US market system suffered from adverse selection.

Of course, Bowles's book goes further than this. He puts forth an account of social preferences, by which he means motives such as ethical commitments, altruism, and the intrinsic pleasure of helping others, and distinguishes different types of crowding out (and crowding in). The message is clear: The effect of incentives depends on preferences, but preferences are not fixed and given. Instead, they also depend on incentives, which makes the task of designing policies more complicated (p. 65). For Bowles, incentives are not merely economic in nature, but they also convey information. They are messages, and one could argue that they provide people with clues for a script of behaviour that needs to be activated in a given context. This leads Bowles to argue quite strongly that any liberal civic culture needs to foster social preferences and cannot rely on economic incentives, as 'living in a highly incentivized economy might have long-term adverse effects on the process of cultural evolution beyond those stemming from the negative situational cues sometimes associated with in-

centives' (p. 115). Incentives may produce 'knaves', so it is important to consider their long-term effects on social preferences when designing institutions. As liberal states can neither rely on coercion nor on incentives alone, they need to ensure the 'institutional gardening' of citizens' virtues and public spirit. In the final part of the book, Bowles carefully examines legislators' choices (and constraints) when designing policies and seeks to give advice to policy-makers. However, this is not as easy as it sounds because we often do not know which preferences people have in detail, and—even more importantly—policy-makers often deal with populations with mixed motives. The latter would suggest that one-size-fits-all policies do not work well. Should we design individualised policies? What would they look like? And what happens if preferences change over time? These are all intriguing issues arising from the book, but they are obviously difficult to answer.

Bowles's book falls in the category of popular science books. Although it is based on research and provides plenty of evidence, it also draws on classic philosophy, anecdotal evidence, and the researcher's first-hand experience, which makes it a good and accessible read. It is rich in empirical terms as it substantiates all claims with evidence, most of them coming from the booming branch of experimental economics. The overall argument is compelling and the book is impressive in terms of analytical clarity and rigor. However, for a sociologist, the constant battle with the *homo economicus* model is sometimes irritating, but disciplinary differences may play a role here. Although the book clearly departs from a narrow understanding of human behaviour, it does rely on a 'dual utility' model with self-interest preferences and social preferences as two different types. Here one may ask whether these two sets of preferences are so clearly distinct (thinking about reciprocity) and

whether a more nuanced view on social preferences might be needed. What is also missing is the role of affection and emotions. Power is also a category left out of the focus on preferences. However, despite these minor points of criticism from another disciplinary camp, the book is clearly

an eye-opener in terms of understanding what motivates, governs and influences people's choices and behaviour.

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## REGULAR REVIEWS

### **Cornel Ban: *Ruling Ideas: How Global Neoliberalism Goes Local***

New York 2016: Oxford University Press, 301 pp.

Almost a decade after the start of the 2008 global financial crisis we know that those who predicted a revival of Keynesian ideas in public policy-making have been overly optimistic. Even more, where Keynesian ideas have been used in crisis management, they did not survive a swing towards neoliberal policies, which has either partially or fully reversed attempts to constrain the limits of the market. Both supranational institutions and national actors have endorsed neoliberal ideas, in a bid to ensure credibility with financial markets at the expense of welfare and labour-market protections. In Europe, recent attempts to restore what is called the European 'social model', such as the adoption of the European Pillar of Social Rights, pale when compared with the enforcement of fiscal discipline delivered through the European Semester. This 'strange non-death of neoliberalism' [Crouch 2011] was explained by the remarkable ability of neoliberal ideas to adapt to local circumstances and acquire local flavours that allow elites to promote and apply them in policy-making. The tendency of neoliberalism to survive through local hybrids is its greatest strength but also a

feature which makes it difficult to capture in a coherent theory. Thus, even though research that seeks to define what is neoliberalism and what are the mechanisms through which it models itself to local conditions is not new, conceptual fuzziness remains.

Cornel Ban's book addresses some of the existing shortcomings in the literature by providing a dynamic definition of neoliberalism that can travel across different political and economic contexts while allowing for a systematic exploration of the political trade-offs that contribute to the emergence of varieties of neoliberalism. The first chapter serves as the book's theoretical framework. It is a rich critical analysis of the body of economic ideas that form the bedrock of neoliberalism as well as of the factors that determine the propagation of neoliberal policies across states. Ban adopts a revisionist definition of neoliberalism which focuses on the policy trade-offs faced by the local translators of neoliberal ideas during moments of crisis. According to Ban, a policy is neoliberal if, when presented with alternatives, elites opt for safeguarding credibility with financial markets, ensuring trade and financial openness and emphasising internal and external competitiveness. Local hybrids are born when additional ideas are grafted on these core goals, swinging the pendulum