

**Review of Vernon L. Smith and Bart J. Wilson's
*Humanomics: Moral Sentiments and the Wealth of
Nations for the Twenty-First Century*. Cambridge:
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I. INTRODUCTION

Models based on social preferences have become a standard tool for explaining the experimental findings from behavioral economics. All do not agree, however. In their book *Humanomics: Moral Sentiments and the Wealth of Nations for the Twenty-First Century*, Vernon Smith and Bart Wilson (henceforth S&W) challenge explanations based on social preferences—together with the standard assumptions of the utility maximization ('MaxU') paradigm in general—and propose their own account based on the insights from Adam Smith's *The Theory of Moral Sentiments*. As they argue in the preface to the book, key questions about human sociality and economic behavior, such as "Why does the payoff to the other person appear in one's own utility function? How did it get there?", but also "Why, when you go to the clothing store or the supermarket or Amazon, do you show so little regard for helping them by buying the highest marked-up items?" (xiv), remain unanswered in the standard social preferences account based on MaxU. S&W are highly critical of the economics profession, whose main modelling tradition they proclaim to be inadequate for understanding the world, stating that "we economists have lost sight of an elementary understanding of the social and economic range of human action. We have lost sight of the fellow feeling by which human beings gravitate toward one another, and we have lost sight of the sentiments that excite human beings to act and by which human beings judge their own and one another's conduct" (xvi). They offer *humanomics* as a way to bring this human dimension back in sight by building on Adam Smith's model of human behavior, which is based on attitudes (sentiments) that people form through both thinking *and* feeling, their ability to sympathize ('fellow-feel') and thus read one another's attitudes and

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intentions, as well as Smith's observation that people have a natural propensity to truck, barter and exchange.

The word humanomics has earlier been proposed by Deirdre McCloskey, who has been actively using and promoting it in her published work for the last decade (for example, McCloskey 2010, 2015). Her emphasis, in line with her larger project on the rhetoric of economics, is on the study of language and meaning, and how the human dimension enters economics through speech and persuasion in economic practices. S&W's call for humanomics is based on a different rationale. They define humanomics as "the study of the very *human* problem of simultaneously living in [...] two worlds, the personal social and the impersonal economic" (2; emphasis in the original). The problem, thus, is how to understand the modern world of the extended order of markets without losing sight of the human-to-human relationships and social interactions that comprise the everyday business of life and that enable such order to emerge from the bottom up. This might be brushed away as yet another call for 'realistic' assumptions, or even as an unnecessary move given the highly institutionalized practice of anonymous economic exchange; but, S&W's project in *Humanomics* is motivated by a very specific rationale, which takes an altogether different approach toward the study of economic life. This rationale is captured well in the following passage:

To contend with the capriciousness of the human primate, rules of conduct arose in the small band or tribe, by the experience and tradition, to regularize and order human interaction. In the face of an unknowable future, we rely on rules of conduct to guide us as the momentaneous present is revealed. Human beings do not simply express behavior; i.e., act under specific conditions like amoral molecules in a flask. Rather, we conduct ourselves accordingly in relation to the circumstances in which we suddenly find ourselves. If by creating laboratory experiments our goal is to understand human conduct against this hurly-burly background of human action, then including that which is essentially human - the stories we tell ourselves to make meaning of our experience - is as much a part of economics as the science of pecuniary interests that currently pervades the discipline. (195-196)

The remainder of this essay will proceed as follows. In Section 2, I will address the central methodological claim of the book, which is that economic experiments should put the perspective of the actors in focus. After that I will elaborate and reflect upon the various conceptual contributions that bring to the fore the importance of context, intentions, and

meanings in the social world. Section 4 will address the political economy implications of S&W's argument, followed by a concluding section that reflects on the state of humanomics as a constructive research program in economics.

II. THE PERSPECTIVE OF THE ACTOR VS. THE PERSPECTIVE OF THE SCIENTIST

One of the main contributions of the book is to show how the [Adam] Smithian framework enables us to understand the actor's perspective regarding the problem he or she is trying to solve, the importance of which Vernon Smith has been stressing for some time now. He argues that if experimental results happen to contradict some rationality postulate, we should—rather than simply proclaim actors to be irrational—first re-examine our hypotheses about reasonable human behavior and how to experimentally study it (for example, Smith 2007, 40). This is in stark contrast to the dominant experimental practice in behavioral economics in which the perspective of participants is commonly treated as a source of bias with regard to the observer's 'objective' understanding of the experiment. Be it some benchmark of rational behavior, or a motivational postulate such as fairness or some other social preference, it is the observing scientist's perspective that carries exclusive privilege and explanatory weight.

To drive this point home, *Humanomics* presents a critique of behavioral economics by probing its reliance on explanations based on the concept of social preferences. The book develops the point that social preferences-based explanations, in their attempt to save the MaxU paradigm by evoking an expanded utility function (which involves utility from an individual's own payoff as well as from the payoffs to others), fails to provide "a clue as to the [utility function's] roots in human social development" (164). Rather, social preferences are simply *post hoc* rationalizations of "the diversity expressed in human action across its many forms" (46). As such, S&W argue, models of social preferences are unscientific and deeply unsatisfactory for understanding social life: they are not derived from the social meaning of actions as perceived by the actor but from whatever the observing scientist considers to be the correct explanation in the first place.

S&W demonstrate this by substituting enviousness for fairness in the well-known analysis of inequality aversion by Fehr and Schmidt (1999). They point out that the choice by Fehr and Schmidt to use 'fairness' as an

explanatory variable in their model is simply a reflection of their own common-sense notion of this value, and thus, to a large extent, arbitrary. They could use enviousness as an explanatory variable just as well, without having to change the model at all. But this raises a question: By potentially approaching these two fundamentally different sentiments as simply different expressions of the same mechanism, how exactly does the model extend our understanding of human behavior? While both can indeed be operationalized in abstract terms as disutility from unequal outcomes, S&W stress that the difference in meaning matters: “progressive income taxes are a matter of enviousness” sounds just wrong (55).

S&W argue against simply importing concepts from outside economic theory only to then subject them to the analysis based on MaxU (subject to constraints). In their view, it is important to consider how the game looks from the perspective of the players: How do they read the choices that present themselves as the game unfolds, and evaluate the effects that actions and responses will have on both players? In order to provide tools for understanding behavior in economic experiments, S&W derive from the work of Adam Smith a set of axioms—“elementary self-evident commonly experienced truths” (69)—and motivational principles about human conduct. Importantly, what they call “stoic self-love” and express technically as “Axiom 0: Human beings are non-satiated” (69) replaces the assumption of common knowledge of mutual rationality from game theory. *Axiom 0* is basically an assumption of self-interest (but not only narrow selfishness) combined with the notion that people naturally want more of a good thing and less of a bad thing. In traditional approaches to game theory, the assumption of the common knowledge of rationality enables players to enter each other’s minds and thus to reliably predict each other’s possible actions or responses. Similarly, S&W argue that “without the common knowledge that all are self-interested, Smith’s actors would not know, given the particular circumstances and opportunities to act, whether and to whom the specific outcome of an action is beneficial or hurtful relative to an action, or actions, that could have been taken” (69). Therefore, players knowing this about each other enables them to evaluate actions as either praiseworthy and deserving reward, or blameworthy and deserving punishments, which in turn will guide their decisions at each node of the game.

But game theory also retains an assumption of the common knowledge of the structure of the game: players (and the experimenter) need to be sure that everyone is playing the same game, and understands

the actions, outcomes and payoffs in the same way. S&W, however, problematize this assumption for its failure to account for the different shades of conduct that cannot be captured by the standard parameters, and that play a central role in how the game will actually unfold. By bringing in the ability of the players to sense each other's intentions through fellow-feeling, S&W extend the notion of the common knowledge of the structure, so to speak. Common knowledge is also a kind of moral knowledge, which permits the evaluation of actions in light of the social situation. The situation corresponds to "how the people get to the point of making the decisions" (63), and thus, moral knowledge is not (and cannot be) pre-given: it emerges out of direct human interaction in a given context. The mere knowledge of the structure of the game and its payoffs does not tell the whole story, since the actors' experiences while the game is unfolding—based on the evaluation of the actions and outcomes in accordance with moral sentiments—will have a direct effect on the decisions they make. The results of the basic trust game, for example, initially came as a surprise to economic theorists because they failed to take into account this bidirectional relationship between action and outcomes. Standard interpretations based on the assumption that the players are self-interested and rational would predict that either (i) the first mover sends nothing (because they are minimizing the risk) and so the game ends, or that (ii) the first mover gambles in hope to gain more, but the second mover then sends nothing in return and thus breaks down the cooperation by pocketing all the gains. S&W argue that the initial trust games results, as well as all the subsequent work, would have been anticipated had the system of moral sentiments been part of the tradition in economics back then, because it would have enabled the theorists to see that the standard interpretation of the game is simply not sufficient to predict human social behavior. S&W's model suggests that player's decisions will always depend on the evaluation of the impartial spectator about the propriety of the available actions, which will be formed in light of the other player's intentions. The ability of the players to access and properly evaluate each other's intention through mutual fellow-feeling thus plays a central role.

This also means that often their choice will lead to a suboptimal outcome, which represents a challenge for the observing scientist. S&W argue that the analytical apparatus they present in the book enables better understanding because it "*involve[s] the choice of dominated actions*" (158; emphasis added). In certain contexts, it will be entirely reasonable (and

indeed rational) for actors to do something that game theory would see as suboptimal (such as additionally sweetening the reward on pages 157–159), because they rely on rules that have emerged from real-world social interactions guided by the moral sentiments, instead of on some abstract criteria for rational choice. This may, however, mean that the options provided by the experiment can be seen as inadequate in light of this ‘baggage’ the actors bring into the experiment from the real world. For S&W, the failure to account for such possible attitudes represents a major shortcoming of the standard isolated experiments based on some benchmark notion of rationality or social preference thought up by the experimenter. As we saw above, the structure of the decision situation alone is an inadequate account of the game that the actors are actually playing and the rules they would evoke in responding to the actions of others. Their perspective matters. And this perspective—how the actors understand and assess their actions and the actions of others—is available, so argue S&W, to the scientist through Adam Smith’s framework of moral sentiments.

In chapter 6, they switch gears from understanding to prediction and develop a set of propositions for predicting players’ actions in a changing context. This is arguably the boldest contribution of the book, since it distills a large variety of context-specific actions into basically four propositions based on either rewarding beneficence or punishing injustice. This helps to flesh out their argument, since it enables them later on in the book to come up with new experimental designs (or, more accurately, novel upgrades that make up for the shortcomings of existing designs) that could not be thought up within the traditional approach. Yet, it is hard not to be left with a feeling that their proposal—where the characterizations of actions, intentions, and expectations are reduced to categories of either ‘good’ (deserving a reward) or ‘bad’ (deserving a punishment)—could be subjected to the same set of criticisms that they raise against the experimental literature. After all, by relying exclusively on the dichotomy of ‘good’ and ‘bad’ in deriving these propositions, S&W are vulnerable to similar accusations of grossly oversimplifying the richness of the human moral experience and reducing it to some arbitrary notion of value.

III. CONTEXT AS THE CREATOR OF MEANINGFULNESS

For S&W, MaxU is an inadequate framework because it fails to answer the ‘why’ questions of human behavior by assuming the subject is maximizing *something*, without fully explaining why that something should be worthy of maximizing in the first place. Instead, they propose to study *conduct based on context-dependent rules* as an alternative.

The starting Smithian point of their approach for understanding interactive experiments is a strong distinction between behavior and conduct, where we can understand the focus on the study of behavior as a shortcut for tracking observable outcomes, while the focus on conduct shifts attention to the rules guiding human action. Modern behavioral approaches based on MaxU tend to get themselves into a trap: if everything is simply behavior in the abstract sense, and if everything can be approached by essentially the same calculus, this leads to an absurd notion of rationality, one which can be equally applied to the behavior of rats, leaves, and other non-human entities. But, as S&W point out, conduct is a distinctly human characteristic, enabled by the “triad of [...] three (universal human) mental predicates” of “feeling, thinking, and knowing” (32). And, as we saw in the previous section, rather than assigning to the conduct some overarching explanatory concept, the observing scientist makes it intelligible by relying on a set of principles that S&W derive from *The Theory of Moral Sentiments*.

However, as S&W recognize, the hidden forces of these principles are not deterministic and thus do not entail inevitable effects on behavior, despite their seeming epistemic benefits when applied to the study of the existing rules that actors employ in their conduct. S&W argue that the origin of these rules cannot be traced back to either human traits developed strictly by natural selection, or to people’s conscious efforts to design them. Instead, they argue that rules that govern the social order emerge from the experience of human social interaction that is based on two basic desires: to be praised and praiseworthy, and to avoid blame and blameworthiness. This position enables them to retain the notion of human nature and its foundational role in the evolution of human interaction, while at the same time rejecting the naturalistic causal account of its role in human conduct. The rules that govern the natural physical order are different from the rules that emerge in socioeconomic life. Sentiments do not govern the social order; they only govern the experience of interaction, which then leads to the emergence of rules that hold the or-

der together. In other words, it is not that evolution favors particular feelings as opposed to others; the evolutionary mechanism is applied to the rules that emerge when people experience *all* those feelings in social interaction—certain rules will be more salient and functionally efficient because they will lead to more stable social relationships in a particular context.¹ S&W thus develop an account of the cultural evolution of rules.

This account, presented in chapter 7, will doubtless raise some eyebrows among the readers versed in the tradition of the Scottish Enlightenment and its more modern incarnations. While S&W do briefly reference David Hume, Adam Ferguson, and Friedrich Hayek, they indicate that everything can be traced back directly to Adam Smith. While this makes for a concise argument in the context of this book—whose subtitle, after all, seeks to unite ‘moral sentiments’ and ‘wealth of nations’—it is not as satisfying from the point of view of the history of ideas. Furthermore, it is especially confusing given that Vernon Smith has made similar points earlier by relying on Hayek, rather than Adam Smith (for example, Smith 2007).

In addition to their position on behavior not being determined by ‘natural’ causes, they point out that “Smith’s model does not make specific predictions, but rather predictions conditional upon how the participants read the circumstances of each game and Smith’s model guides us in how to read those circumstances” (111). The role of context is crucial here, since “individual actions are signals of rule-governed relational conduct, where context matters because it gives meaning to outcomes” (159). In other words, actions are signals in need of interpretation within the given context. We can add two caveats, however. First, by now, very few economists would argue that context does not matter. On the contrary, that different institutional settings will, through their incentive structures, affect observed behavioral outcomes differently is pretty much an uncontested view. Much of the modern behavioral literature is about framing effects and choice architecture. Second, reading actions as signals is not as straightforward a process as S&W make it appear. Despite the importance of rules for the central thesis of the book, S&W nevertheless do not fully develop an account of how humans apply these rules when they make decisions. This is all the more apparent because they don’t go be-

¹ We have to read this in line with Vernon Smith’s earlier notion of *ecological rationality* as “an ecological system, designed by no one mind, that emerges out of cultural and biological evolutionary processes—home-grown principles of action, norms, traditions, and ‘morality’” (Smith 2007, 36).

yond the simple propositions where actions and intentions appear as either good or bad. When rules are firmly established this is perhaps not very problematic; but S&W also seek to account for the emergence of new rules and the evolution of existing ones. Certainly, the picture is more complex when individuals are learning or conveying new signals and when new rules emerge. As Lavoie has argued, more than simple “road signs”, signals (such as prices or offers) in such instances become “difficult texts” (2015, 59) in need of interpretation. In an open-ended world, signals are rarely simple road signs; it is indeed much more likely that they resemble difficult texts.

This distinction seems a useful addition to what S&W try to convey with their project. While it can be argued that traditional approaches to game theory treat game structures and payoffs as simple and unambiguous road signs for players, S&W emphasize the mutual interpretation of actions by the actors. They argue that participants in experiments are guided by a set of rules of conduct and that they judge each other’s actions based on what rules the other seems to be evoking. The same action can thus result in different responses since different meanings may get attached to it. Specifically, since context is defined as “the set of all action alternatives including outcomes” (144), which, in experiments, is comprised of the possible alternatives at each node of the game, it thus matters what alternatives the players are presented with, because “adding or subtracting nodes changes the meaning people read into actions” (62). This, however, raises a question about how useful experiments are for our understanding of the real world. Since the worlds of experiments are small and closed, and the real world is an open system where ultimately every action is possible and every action can be contested, is experimental evidence not exclusively evidence on how people behave in such closed and determined worlds?

S&W seem to be aware of this problem and their answer provides us with perhaps the most crucial insight into the nature of their project. As they explain, experiments are “two-person small-world personal exchange cultures in which people apply the rules *they follow in life* to this unfamiliar context” (144; emphasis added). This characterization is in stark contrast to the standard view of experiments, where great care is taken to eliminate the influence of any rules that people follow in other contexts, in order for the experiment to produce behavior within the carefully specified set of constraints. For example, trust games generally employ a matrix of possible outcomes as the common knowledge that the players

share, and which exclusively guides their actions—a feature considered a virtue of isolated experiments. However, as we noted earlier, rather than behavior, S&W are interested in rule-based conduct. In other words, what they study when performing experiments is not simply people’s behavior in order to make inferences about their behavior in similar situations; instead, S&W claim that behavior is secondary, because what they are really interested in are the various rules that exist in the real world. The fact that people bring their baggage into the lab thus becomes a feature and not a bug. S&W indeed want and need them to use that baggage, which becomes the real focus of their study.

But how can the experimenter balance the need for control with the fact that people will inevitably bring in their baggage to the lab? To address this problem, S&W, in chapter 12, present their methodological innovation: the narrativized game. Since narratives are closely linked to the issue of context, we can observe the same two-fold significance for economics as in the case of varying payoff structures. On the one side there is the view that narratives frame decisions and the narrative is seen as a particular biased interpretation of the underlying problem. The analysis focuses on the suggestive component of a particular narrative, and the result of such analysis is that it isolates the effect the narrative has on the outcomes in question (for example, Shiller 2019).

The second view on narratives, and the one that S&W employ, is that narratives provide the context in which the decision becomes meaningful. It is not that some separately existing abstract decision structure gets framed in a particular way when embedded in a narrative; it is that such a decision, construed in abstract terms, is meaningless in the first place and thus cannot be held as a benchmark for any evaluation of the framing effects. S&W believe that it is an illusion to think that an abstract game structure is invariant, and that framing is a deviation from that pure meaning of the situation. They give two reasons for this: (i) people bring their frames to the lab, so they will inevitably narrativize the structure of the experiment in their own terms; and (ii) the abstract structure is a particular frame in itself. Therefore, narrativized experiments are intentionally designed to put the subjects, by embedding them in a narrative, in a specific situation that will call for particular rules-based conduct, which, in turn, becomes intelligible for the observer by relying on the principles derived from Smith. However, the narrative experiment they use as an example in chapter 12 (the only one performed) seems limiting in the richness of its moral implications, and it is thus not entirely clear how the

narrative that they use changes the meaning of the situation and thus differentiates itself from a mere frame. While the whole concept of narrative experiments seems a promising methodological approach for humanomics, it is more a promise than a reality.

IV. AGAINST PATERNALISM: THE ROLE OF AUTONOMY AND SELF-COMMAND

When talking about behavioral economics it is hard to ignore the topic of behavioral interventions and the underlying issue of autonomy. While *Humanomics* does not deal directly with the topic of paternalism, S&W nevertheless present the Smithian project as explicitly classical liberal in nature: “We need all the trappings of Smith’s conception of the classical liberal order, an immense playing field with clear foul boundaries within which people are empowered by the freedom to discover” (206). This perspective can be understood as S&W’s alternative to the interventionist nature of libertarian paternalism, with its focus on nudging people into better decisions rather than leaving them to the potential dangers that personal liberty may bring along. S&W’s position is that interactions that take place when people are left to choose and discover freely will result in the emergence of rules that will reflect peoples’ moral sentiments rather than some external benchmarks of rationality. These rules will in turn provide stability and order within social interactions that will transcend the impulsive and irrational aspects of human nature which, when left unchecked, may result in bringing out the worse in people and thus break down the system of social cooperation.

However, if it is rules—and not ‘gut-feelings’—that guide human conduct in social interactions, this raises a question of how these rules are learned in the first place. S&W draw on the Smithian notion of *maturation* to argue that the micro-foundations of our morality, and rationality, are to be found in the process of socialization in the family and small groups (74). Maturation is a result of repeated interactions, learning, and adaptation to what others do. This is a process that requires individuals to make mistakes, and most of all, to make their own choices so that they can learn.² However, maturation that is so closely linked to socialization also

² Following Adam Smith, S&W define freedom negatively: “People have wide liberty to take any action that is not unjust. Imagine society as a large playing field within which people are free to pursue their own aspirations, careers, and business plans as they

raises the issue of personal freedom: How is one free when subject to continuous processes of moderation guided by what others approve or disapprove? It seems that we very much learn to be free; but the question, then, is what type of freedom do we learn? The position that S&W build upon is based on the notion of self-command in being able to follow the judgments of the impartial spectator. This is what we learn in “the great school of self-command”, which is “the mechanism whereby we learn ‘to go along with’ our friends and neighbors” (170).

For S&W, classical liberalism is an open playing field within the boundaries of foul play. But, as we saw above, what is considered foul is largely determined by what others accept and permit based on their own sentiments. Justice is defined negatively, as the absence of injustice, where injustice is a direct outcome of the impropriety of action, which stirs up resentment. For the rest, individuals are voluntarily interacting with other individuals and in the process discovering how they feel about others’ actions, which leads to the emergence of rules. This means, however, that the issues of power and force are somewhat neglected. In chapter 9, S&W rightly point out that the standard experimental set-up actually involves reluctant players: in the trust game, for example, first movers are forced to make a decision about something that (at best) benefits them far less than the second movers. Nevertheless, S&W seem to assume that such forced participation cannot happen in the liberal order, where “people are free to move anywhere, in any direction, try any new actions, so long as they avoid foul boundaries of play” (201). Indeed, voluntary participation has important consequences because it presupposes that people accept the rules of the game, yet it is not obvious that such conditions are standard in the real world of human social interaction where exit is not simply a matter of walking away from the experiment. In many choice situations, exit itself might be very costly or near impossible.

As an example, let’s consider one of S&W’s newly developed experimental designs. As already pointed out, the basic structure of a trust game suggests that first movers are actually put in a position where, by choosing to cooperate, they either lose out (that is, get less than by not cooperating at all) or benefit substantially less than the second movers (because the gains from trade are very skewed); all this despite the fact

choose but governed always by rules that prohibit and recompense foul play. Any outcome of action – mediocrity, success, failure, riches, admiration – is acceptable so long as no fouls are committed. The individual is free to excel, as in a race, but not to cheat or lie or jostle others in the race” (14).

that they, as first movers, are by definition the enabling factor for cooperation and any gains from trade that might happen in the first place. In the newly developed Punish Injustice Game, S&W introduce an option for participants to punish defecting behavior by second movers after cooperation has been offered to them. For S&W, the striking result is that a relatively low number of people choose the option to punish. The result is fascinating, since the options are (\$4, \$4) for punishment and (\$6, \$42) for cooperation, which means that people choose cooperation even when it costs them relatively little to punish the others' unjust actions. S&W interpret this by evoking the notion of the fair and impartial spectator: punishment is too disproportional and thus not appropriate. However, this explanation leaves out the possibility that first movers, at that point in the game, just want to save as much as they can from what little they have left, and thus do not make a judgment based on the appropriateness of the punishment but are simply forced to accept the least bad outcome. While S&W's interpretation appears to imply that there is not much bad blood between the parties, it is easy to imagine that under the alternative interpretation the resentment may nevertheless be strongly felt despite the offer of cooperation, because the actions of the second mover will leave the first one feeling powerless and undignified.

Alternatively, we can imagine that first movers in the trust game fail to offer cooperation for reasons of jealousy (since they know that the gains from trade will be in any case much bigger for the second mover despite the fact that these gains are made possible by the first movers' own decision to cooperate) or complacency (first movers are just fine with the initial money they have received and have no desire to engage in trade). If this failure to offer cooperation were to happen repeatedly, it is conceivable that the second movers would start punishing it, when given the option—either to punish the first movers for their jealousy, or to 'wake them up' from their complacency. In any case, it is not that obvious that the second mover's not choosing to punish the failure to cooperate can simply be explained as an act of beneficence, "a virtue that experience has deeply instilled in us" (198). At least, these considerations would call for humanomics to incorporate and rely on more detailed ethnographic and sociological work, besides the simplified moral philosophy scheme based on Adam Smith that S&W now rely on. Such work is readily available in the recent economic sociology literature (see Dekker, Remic, and Dalla Chiesa forthcoming for a literature review on the questions of context

and meaning), and the failure to connect to it is one of the major shortcomings of the account of humanomics put forward in this book.

Political economy implications represent an important part of S&W's project in *Humanomics*. Yet, this aspect of the book seems the most dogmatic and least backed by solid and broad social science insights. What becomes clear, however, is that S&W's motivation for humanomics as a research program is largely about establishing an alternative to the (by now) mainstream behavioral economics. As such, it suffers from the shortcoming of trying to differentiate itself in all possible areas where behavioral economics has left its mark, and policy interventions in this regard arguably represent one of the crown jewels of behavioral economics. While S&W's more hands-off approach is a legitimate and possibly attractive alternative, it is not the most persuasive part of the book.

IV. WHAT WAY FORWARD FOR HUMANOMICS?

The idea that economics should pay more attention to human beings is of course not new and has been, through the years, put forward in a variety of ways. Looking from such a broad perspective, we can differentiate between at least three different approaches to humanomics. The first one incorporates the shortcomings of human nature and rationality, and can be illustrated by an image that Benabou and Tirole (2003) put forward: "We introduce three '*grains of sand*' (or *humanity*) into the well-oiled mechanics of the ultra-rational economic agent: *imperfect* self-knowledge, *imperfect* willpower, and *imperfect* recall" (137; emphases added). This is also the approach of mainstream behavioral economics. Thaler and Sunstein (2008), for example, distinguish between Econs and Humans. Another approach to humanomics is about the impact of economic activity on the social fabric, (psychological) well-being, and the inner moral core of human beings who participate in it (for example, Nelson 2006; Bowles 2016). While in the first case humanity entails imperfection, in the second it suggests a virtuous, but somewhat fragile, character of the human nature facing potentially corrupting effects of market institutions.³

³ Another version of this second approach can be found in Lutz and Lux who define *humanistic economics* as a "scientific framework for the theoretical understanding, as well as design of appropriate institutional arrangements pertaining to, the process of production, distribution, and consumption that will enable optimal satisfaction of the hierarchy of human needs" (1979, 23). Here, human well-being is defined in explicitly objective and naturalistic—almost biological—terms. Economic phenomena are treated as intermediate products impacting this well-being, and economics is a tool to achieve it (see also Komlos 2019).

S&W belong to a third stream, as does Deirdre McCloskey. Here, humanness is not about bounds on rationality or some inner trait, but about living and interacting with others in the social world. It is a version of humanomics that puts emphasis on the different worlds that people inhabit, each with its own distinct logic that gives meaning to the actions within it. Such a conception of humanomics as a research program opens up many opportunities for further development and for fruitful exchange with neighboring disciplines, especially psychology and sociology.

Psychology has now become a natural ally for economists who seek to develop a richer account of human nature. However, as I have argued elsewhere (Dekker and Remic 2019), the idea that there is but one combination of psychology and economics is false, since there exists a plurality of approaches in psychology as well, each of them lending itself differently to combinations with the variety of approaches in economics. S&W's project would arguably benefit from incorporating insights from psychological approaches that emphasize the distributed and situated nature of cognition. In these approaches the borders between the individual mind and the world of social institutions are blurrier; this fosters deeper insights into the entangled interplay between rules and cognition.

But the exclusive focus on the Smithian framework hides an omission that is perhaps the hardest to understand: the complete neglect of recent and complementary developments in sociology. This is perhaps that more surprising given that both Vernon Smith and Bart Wilson could hardly be accused of having narrow interests, and their work draws on, and is inspired by, a wide variety of developments in the social as well as the natural sciences. Indeed, Smith has on occasion made an important point out of it by stating that "I importune students to read narrowly within economics, but widely in science" (Smith 2007, 40n12). Following this advice, scholars of the humanomics research programme could benefit from engaging with the literature on economic sociology. For example, S&W build on a broader notion of commerce, what they refer to as "'commerce' all the way up, from neighbourly social exchange to the extended order of impersonal markets" (15). This view of commerce is close to how certain strands of recent economic sociology conceptualize it.⁴ In that sociological perspective, the exchange is not merely about stuff for money, or stuff

⁴ For example, Zelizer employs the meaning of commerce "in an old sense of the word, where commerce meant conversation, interchange, intercourse, and mutual shaping [and ranges] from the most intimate to quite impersonal social transactions" (2011, 315).

for stuff. The exchange process is a social process, an ongoing relationship that is also continuously affecting and changing the parties involved in the exchange and thus resisting explanations in narrow structural terms. Humanomics can especially benefit from the vast empirical work conducted in this literature.

Does the book succeed? It does, by pointing us in the right direction. But it is not—and probably S&W would agree that it *should not be*—a definitive statement on humanomics. As I see it, *Humanomics* is not a programmatic statement, but an invitation to do economics differently. This position, however, carries with it a danger that there will be as many types of humanomics as there are scholarly attempts to develop them. This book presents a compelling case of what the theoretical core of humanomics could look like, and an ambitious invitation for scholars to rally around this core and further develop the approach by building on the rich tradition of social and economic theory of the past to answer twenty-first century problems.

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