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Review of Michel S. Zouboulakis' *The Varieties of Economic Rationality: From Adam Smith to Contemporary Behavioural and Evolutionary Economics*. New York, NY: Routledge, 2014, 192 pp.

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Rationality is an essential assumption in economics as a scientific discipline. This assumption seems trivial and straightforward: people aim at pursuing their own interests and they pursue these interests rationally. However, what do economists understand by 'pursuing one's interests rationally'? This is the question Michel Zouboulakis tries to answer in *The Varieties of Economic Rationality*. Zouboulakis' central claim is that throughout the history of economic thought, different economists have understood economic rationality in different ways. In particular, although economists usually believe that rational economic behavior is identified with rational maximization, in the form of cost-benefit analysis, a closer look shows that many prominent and influential economists held different conceptions of rationality.

The book consists of twelve chapters (plus an introduction and a conclusion), the first five of which are focused on a single preeminent thinker and their corresponding conceptions of rationality: Adam Smith, John Stuart Mill, William Stanley Jevons, Vilfredo Pareto, and Lionel Robbins. In chapter 6, Zouboulakis takes up various critiques of neoclassical rationality, starting in the late 1930s, by John M. Keynes, Fredrich Hayek, Ronald Coase, Terence Hutchison, Robert L. Hall, and Charles J. Hitch, before covering—in chapter 7—responses to this critique by Fritz Machlup, Paul Samuelson, and Milton Friedman. Chapter 8 deals with a philosopher, rather than an economist: it reviews Karl Popper's influential conceptions of rationality and methodological individualism. Chapter 9 is an overview of the development of probabilistic choice theory and game theory, focusing on the work of John von Neumann and Oskar Morgenstern, Leonard Savage, and John Nash. Chapter 10 is devoted to Herbert Simon's concept of bounded rationality, while chapter 11 deals with behavioral economics: it starts with the work of Daniel Kahneman and Amos Tversky, followed by the work of experimental economist Vernon Smith, and finishes with a discussion of the role of institutions and emotions in people's choices. Chapter 12 provides the last conception of rationality discussed in the book—the rationality of socially embedded individuals. In this chapter, Zouboulakis presents a different chronological development from that of the rest of the book, starting with Karl Marx's idea of social consciousness, followed by a review of the institutionalist tradition within economics, including the work of Thorstein Veblen, John Commons, Douglas North, and Geoffrey Hodgson. The last part of this chapter deals with economic sociology.

While reviewing numerous critical scholars that influenced the concept of rationality, the reader is taken through some of the most central issues concerning economics as a scientific discipline—for example, the question of the scope of economics, the need for grounding the meaning of theoretical concepts in empirical observations, and the proper way to interpret modeling assumptions.

In general, Zouboulakis does an impressive job defining the specific methodological approaches of the economists he deals with and categorizing the variances between the different concepts of rationality he traces. Broadly, he presents three categories related to the assumption of rationality, on the basis of which different economists can be classified. The first concerns the foundations of the rationality assumption—that is, does it need to rely on psychology as an empirical ground or can it be derived in a purely theoretical manner? The second concerns the assumption's validity—that is, is the definition of rationality universal or is it dependent on a social and historical context? The third concerns the meaning of the rationality assumption—that is, does it refer only to individual behavior, or does it also refer to the economic system as a whole? In other words, does the rationality assumption entail that rational agents have extensive computational capacities and access to all the relevant information, or do agents face some unresolved uncertainty?

Interestingly, there is no necessary relation between the answers to these questions. For example, while both John Stuart Mill and Francis Y. Edgeworth believed that the rationality assumption should rely on psychological foundations, Mill thought that rationality is socially dependent while Edgeworth saw it as universal. Similarly, while Paul Samuelson and Kenneth Arrow shared the view of perfect rationality (including complete information and unlimited computational skills), Arrow did not refer to any psychological foundations while Samuelson based his approach on behaviorist psychology.

One crucial point coming out of the historical review presented in the book is that there is no linear development of the rationality concept, starting from the classical *homo œconomicus*, through the late neoclassical *rational choice-maker*, and finishing with more complicated visions of rational agents characterizing contemporary economics.

Throughout the historical period covered in the book, not only did economists understand economic rationality differently, but also the same methodological issues came up again and again, in a cyclic manner, presenting methodological problems for attempts to define rationality—problems with no definitive solutions. For example, the concept of perfect knowledge was adopted by early neoclassical economists, criticized during the late 1930s, abandoned by game theorists during the 1940s and 1950s, readopted with the development of the general equilibrium framework and the idea of rational expectations, and then again criticized by supporters of the concept of bounded rationality in the late 1970s. A similar story can be told about the complicated relation between economics and psychology, as economists wavered between two stances, one claiming that psychology must provide the empirical ground for economic assumptions concerning human behavior, the other claiming that economists must avoid any references to psychology.

The book presents a second argument, which is more methodological than historical. Zouboulakis claims that the common lacuna in how economists understand and define economic rationality is not due to the lack of psychological foundations or the disregard of fundamental uncertainty, but rather the insufficient treatment of the social embeddedness of individuals. As Zouboulakis writes in his conclusion:

> […] it should be definitely recognized as a fact that one quintessential characteristic of humans is that they live embedded within a common system of moral values and social habits that give them a sense of social existence and identity. (138)

This statement comes up repeatedly throughout the book and guides its historical investigation. In recent years, it has been common to speak about the escape of economics from psychology—a methodological turn that peaked at the beginning of the twentieth century, inspired by Vilfredo Pareto's attempt to replace psychological assumptions with the concept of *logical choice*. Zouboulakis traces a different escape, which we can call 'the escape from sociality (or sociology)'. He claims that classical economists, among others, acknowledged the importance of the social environment when analyzing human behavior and treated this fact carefully, even when they did not give it an explicit place within their theory. Zouboulakis describes a methodological tension in the work of classical and some of the early neoclassical economists—a tension between the way those scholars chose to define rationality and how they understood the scope of economics. For economists such as Smith, Mill, and Pareto, the less socially embedded the definition of rationality is, the narrower the scope of economics and the weaker the cogency of economic analysis is. According to Zouboulakis, this acknowledgment of human sociality is missing from neoclassical and current mainstream economics.

Following this argument, within the historical narrative in the book, the crucial 'escape' did not occur with Pareto's but rather with Jevons' work. According to Zouboulakis, Jevons was the first to define economic rationality as rational maximization, stripping it out from any particular social feature and at the same time giving it a universal status based on introspection (chapter 3). In chapter 4, Zouboulakis claims that although Pareto also abstracted rational behavior from any social context as part of his attempt to ground economics on logic alone, he made it clear that this move limits the scope of economics, as he believed economics should form only one branch in the broader investigation of human behavior and social phenomena. In contrast, Jevons used the alleged naturalness of the rationality assumption to give economics a universal validity. In this sense, Jevons is the origin of the tradition claiming rational maximization should form the fundamental point of departure for any investigation within the social sciences. This tradition includes some prominent neoclassical economists such as Garry Becker and George Stigler.

The less satisfactory part of the book contains those chapters dealing with the development of neoclassical concepts of rational choice in the post-war period (chapters 9–10). Although Zouboulakis mentions some key points in this development—for example, Paul Samuelson's preference theory, the development of the general equilibrium framework, and the development of game theory—the book does not present a thorough methodological discussion of these issues. This is unfortunate because the post-war developments have shaped the standard conception of rationality prevalent among contemporary economists. The insufficient methodological discussion of these issues also makes it hard for Zouboulakis to relate the tensions he identifies earlier in the book to contemporary debates in economic methodology.

Zouboulakis dedicates a long (penultimate) chapter to behavioral economics (chapter 11). In this chapter, he presents the contribution of Kahneman and Tversky's work—as well as of Vernon Smith's experimentalist approach—to the way economists think about people's choices, and discusses the attempts of behavioral economists to incorporate human emotions and social institutions into models of economic behavior. However, because the development of contemporary conceptions of rationality do not get enough attention, this chapter cannot present the profound methodological issues at stake, as there is no substantial reference to the body of knowledge behavioral economics attacks. In particular, for the reader, it is hard to understand if Zouboulakis thinks that behavioral economics is a promising way to deal with the main challenge presented throughout the book—that of social embeddedness. A detailed answer to this question would have distinguished between two ways of thinking about the behavioral economic critique of the rationality assumption: (i) one holds that people do not act rationally because they lack the cognitive ability to make rational choices; (ii) the other holds that the standard definition of rationality is inadequate because it fails to deal with fundamental issues such as social norms, altruistic behavior, and the social construction of preferences. Moreover, it could have been interesting to compare behavioral economics, which, in recent years, has become a part of mainstream economics, to the more unorthodox critiques Zouboulakis presents by evolutionary institutionalists and social economists.

An interesting aspect that is not covered in the book is the connection between different conceptions of rationality and different approaches to welfare economics. Although many of the economists the book deals with have made significant contributions to the normative branch of the discipline, Zouboulakis does not discuss the interrelations between their ethical stances and their conceptions of rationality. Nevertheless, *The Varieties of Economic Rationality* presents an absorbing outline of the development of the most fundamental concept in economic theory. It reminds us that historical investigation can provoke us to rethink current methodological and philosophical questions. The book also presents some interesting points that deserve further analysis.

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