

Review of Susumu Egashira, Masanori Taishido, D. Wade Hands, and Uskali Mäki's (editors) *A Genealogy of Self-Interest in Economics*. Singapore: Springer, 2021, vi + 325 pp.

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The notion of self-interest has a very long presence in economic discourse and has played a central role in the development of mainstream microeconomics. Contemporary mainstream economic theorists do not refer to self-interest as much, but they assume human agents are rational in the Homo Economicus sense, and proceed with their theoretical or empirical investigations. The standard notion of rationality employed includes a number of assumptions concerning the behavior of economic agents which are not always spelled out. The modern meaning of economic rationality contains the assumptions that agents maximize their own utility only, or that preferences are atomistic or independent, or that utility depends on one's own consumption only. In other words, self-interest is used as a basic, or at least baseline, behavioral assumption. As Wade Hands (2021) states in the introductory chapter of this volume:

This commitment to self-interest by economists not only started early in the discipline's history, it has: persisted over the next two hundred-plus years of economic theorizing, continued to condition the way that economists characterize individual and institutional decision-making, and influenced the way that economists think about public policy questions. (2)

Apart from their central role in decision-making, self-interested agents are present in other fields of orthodox economic theory. The case of the representative agent in modern macroeconomics is indicative. For instance, Joseph Stiglitz identifies the place and role of the representative agent in most dynamic stochastic general equilibrium (DSGE) modeling, as follows: "DSGE models seem to take it as a religious tenet that consumption should be explained by a model of a representative agent maximizing his utility over an infinite lifetime without borrowing constraints"

(2018, 74). The same conception of consumers as ‘atomistic agents’ prevails in the standard theory of intertemporal choice (Pignalosa 2021).

Equally, there is a long tradition of criticism of self-interested Homo Economicus ranging from the German Historical school to Veblen and Keynes. Many contemporary prominent economists have also pointed to the serious weaknesses of the assumption of self-interested agents (e.g., Sen 2002). Further, notions that challenge self-interest (such as social preferences, reciprocity, fairness, or altruistic punishment) are increasingly employed by behavioral economists. In fact, one of the basic characteristics of this school of thought is to challenge the established model of economic rationality (e.g., Thaler 2017). As a result, the substantial rise of popularity of the new behavioral economics has revitalized the attention to the meaning of rationality in economics and by extension, to the role of self-interest.

The present collection of papers can be seen as a timely contribution to the above debate. It contributes to the discussion of the origins of Homo Economicus, and more specifically of the notion and role of self-interest in economic thought. There have been some attempts in the past to collect papers exploring the concept of self-interest. One which comes to mind is the edited volume by Jane Mansbridge (1990), which was oriented towards a critique of self-interest and argues for alternative formulations by economists and other social scientists. A more recent effort was put forth by Pierre Force (2003), with an emphasis on pre-Smithian economics. However, no volume has been written on a systematic history and role of self-interest in economic discourse, and thus this collection attempts to fill the gap as it covers a much wider time period.

This book comprises 18 chapters including an introduction. In the introductory section, Wade Hands argues that economics has always been concerned with self-interest and demonstrates a variety of different ways that economics and self-interest have been connected in the history of economics. By focusing on the examples of Ricardo and Marx, he also refers to how these relationships manifest themselves in the work of some specific economists (e.g., Daniel Kahneman, Amos Tversky, Richard Thaler, Cass Sunstein). The book is divided into three parts. The first part is entitled *Self-Interest in Eighteenth and Nineteenth-Century Economics*, and contains seven chapters. The material covered here includes the work of various pre-Smithian writers, including Smith himself, Bentham and Mill, as well as Walras and Wicksteed. The second part is on *Self-Interest in Twentieth Century Economics*, and concentrates on economists such as

von Mises, Knight, and Hayek, and scholars like Otto Neurath and Karl Polanyi, and includes a chapter on questions about free will, political philosophy, and political science. The third part is entitled *Contemporary Topics in Self-Interest and Economics*, and the subjects studied cover a very broad range, including altruism, game theory, neuroeconomics, and philosophical discussions of the relationship between economics and other disciplines.

The first two chapters of the first part examine the concept of self-interest in pre-classical economic discourse. Beginning with *Self-Interest and French 'Philosophie économique' 1695-1830*, Gilbert Faccarello and Philippe Steiner concentrate on the French economists of the eighteenth century and demonstrate their recognition of the positive results of self-interest as well as its role as a means of government. In *Self-Interest in the Thought of Adam Ferguson*, Craig Smith shows that Ferguson—a prominent member of Scottish Enlightenment—had developed a complex and nuanced understanding of the place of self-interest in moral and political life. The next three chapters focus on classical political economy starting with *Adam Smith on Self-Interest* by Shinji Nohara. Nohara reexamines the well-known Adam Smith problem which refers to the apparent differences concerning the nature of human behavior in Smith's two major works: self-interest in the *Wealth of Nations* and mutual sympathy in the *Theory of Moral Sentiments*. Nohara maintains that the relationship among Smith's works is the key to the understanding of the different human descriptions of human nature. In *Bentham on Self-Interest: Institutional Control of Self-Interest*, Hiroaki Itai argues that in Bentham's system, the issue of whether human beings are selfish or altruistic is not relevant, since a utilitarian system of governance transforms people into agents of appropriate utilitarian accounting and maximizes social well-being. The chapter on *John Stuart Mill on Self-Interest: Focusing on His Political Economy and the Principles* by Yoshifumi Ozawa, is next. After elaborating Mill's ideas about self-interest, Ozawa maintains that Mill endeavored to design political institutions which would reconcile the self-interested actions of individuals to the public benefit.

The next two chapters move on to the marginal revolution and to the early neoclassical economics by focusing on Walras and Wicksteed. In *Léon Walras on Human Nature and His Social Reform Plan*, Satoshi Takahashi attempts to clarify the relationship between Léon Walras' notion of human nature and his reform policies toward a unique form of

socialism. The author also develops the interesting view that Walras expects egoistic self-love, along with the private landownership and monopoly to disappear when his reform policies are instituted. This part closes with *P. H. Wicksteed on Self-Interest: Resource Allocation and Social Inclusion*, by Yoshio Inoue. Drawing from Wicksteed's research on Dante, it is argued that Wicksteed's economic philosophy reminds us that the original and real significance of the market economy lies in the inclusion of all of the people. In my view, most of the chapters in this section are extremely interesting especially for historians of economic thought, given that they contain new material and approach the issue of self-interest from novel angles.

The starting chapter of the second part entitled *Otto Neurath's Theory of Felicitology and the Will to Socialization*, is authored by Manabu Kuwata. It investigates Neurath's felicitology as "the other welfare economics" and its relation to his ideas on socialization and planning (149). This chapter is basically a methodological piece given that it also presents a critical perspective on the conventional interpretation of the relationship between social sciences and logical empiricism. In *Selfish, Therefore Reciprocal: The Second Marginal Revolution of Mises*, Akihiko Murai focuses on the integration of selfishness with societal benefit in Mises's thought. There is also an interesting comparison to Oscar Morgenstern's views on this issue. The next chapter is entitled *Frank Knight on Self-Interest*. Masanobu Sato explains Knights' analysis of the market economy in terms of the character and function of self-interest. Of particular interest is the comparison of Knights' views with those of the liberal institutionalists and of the old and new Chicago economists (i.e., Viner, Coase, Friedman, Stigler). In *Karl Polanyi's Motive of Economy and Institution*, Takato Kasai investigates Polanyi's critique of approaches focused on self-interest exchange. He proceeds to analyze Polanyi's agenda to inquire into a social institution that can restrict individual and national self-interests on a global scale. Next is *Contributions of Science of Free Will to Neuroeconomics and Quantum Decision Theory* by Taiki Takahashi. It is essentially a paper on political science in which current findings of the science of free will are discussed given the potential implications of these findings for future research in political science. *An Institution to Reconcile Self-Interests: Hayek on the Notion of the Economic Agent and the Establishment of Appropriate Rules* is authored by Masanori Taishido. The aim here is to clarify Hayek's advocacy of his own institutional design. It is argued that Hayek's theory of rules is designed to protect the diverse interests and

freedoms of individuals from the threat of collective and uniform interests. In my view, the sequence of the chapters should have been different in order to preserve continuity. The chapters on Mises, Knight, and Hayek should have been first to be followed by the rest of the chapters, which are more of a methodological nature.

The first chapter of the third part, entitled *Creating an Algorithm Based on the Theory of Moral Sentiments*, is written by Susumu Egashira. The paper reevaluates Adam Smith's argument in *The Theory of Moral Sentiments* based on modern cognitive science, specifically within an agent-based simulation. The next chapter is on *The "Self" and the "Others": From Game Theory to Behavioral and Neuroeconomics*. Christian Schmidt starts with the idea that the 'self' is to be understood by reference to the 'others', and connects it with game theory and recent contributions of neurosciences. The following chapter, *Why Is Behavioral Game Theory a Game for Economists? The Concept of Beliefs in Equilibrium* is by Michiru Nagatsu and Chiara Lisciandra. Their main argument is that the interdisciplinary exchange between economists and psychologists has so far been more active and fruitful in the modifications of expected utility theory than in those of game theory. The final chapter is on *Homo Economicus Under Multiple Pressures* by Uskali Mäki. After a brief but efficient review of the concept of Homo Economicus, Mäki provides an assessment and argues that economic theories assuming Homo Economicus find support from such trends in society, while common sense and other disciplines largely speak against it. I think that this paper is a very useful overview of some important current methodological issues pertaining to Homo Economicus.

My first observation concerns the three conceptual parts in which the papers are placed. I think that a more appropriate title for the first part should have been: *Self-Interest in the History of Economic Thought*, and should have included the papers on Mises, Knight, Hayek, and Polanyi (I would suggest that these chapters should be read in that order). The rest of the papers exhibit a more methodological focus and might have been better placed under a corresponding section discussing the epistemological aspects of selfish behavior. Even with this re-arrangement, there are a few chapters that are difficult to classify, such as the one on Neuroeconomics and Quantum Decision Theory, on Behavioral Game Theory, or on Game Theory and Behavioral and Neuroeconomics. These are quite interesting papers, but I suspect they would have fitted better in a different volume(s).

The second observation has to do with the views of some major authors on self-interest who are not included in this edited book. Keeping in mind that the term ‘genealogy’ clearly creates expectations of a systematic treatment of the origins, the development, and the role of this notion in economics, there are some important missing parts. For instance, I think that Thomas Hobbes’s approach to self-interest would have been very useful in the understanding of subsequent developments in economics. The same holds true for Menger and Knies for the Austrian school and the German Historical school respectively. Another omission is the work of Edgeworth whose ‘catallactis’ played an important role in the establishment of self-interest agents in late marginalism and early Neoclassical economics. In Edgeworth’s words: “The first principle of Economics is that every agent is actuated only by self-interest” (1881, 16). One could also add Pareto whose approach to self-interest exhibits some interesting common points to Wicksteed’s views which are covered in this volume. It has to be mentioned though, that this comment originates from a historian of economic thought who might have different expectations from the average reader.

Nevertheless, my overall opinion of this edited volume is positive. The majority of the papers in this book are very interesting and appealing for most historians of economics. There are also papers that will be of interest to economic methodologists and philosophers of economics. Some of the chapters can certainly initiate further research on the topics that they examine. Indicative but not exclusive examples are the chapters by Itai, Takahashi, Kuwata, Sato, Egashira, and Schmidt. In view of the current debate concerning the role of self-interest by economists and other social scientists, this book is a valuable and necessary addition.

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