
Book Reviews

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George A. Akerlof and Robert J. Shiller, 'The animal spirits', 2010, Pearson Edition, pp. 240, ISBN: 978-2-7440-6399-2 (from the French version, *Les esprits animaux: comment les forces psychologiques mènent la finance et l'économie*. Pearson Edition). Paris: Pearson Education France, 22€.

This book written by Robert Shiller and George Akerlof deals with our misunderstanding of the last crisis inherited from the collapse of the sub-prime market. Despite some precursor signs, nobody expected it. According to the authors, the last crisis (and the resulting recession) appeared unexpected because we always neglect the importance of animal spirit and more generally the place of human being in the economic theories.

Akerlof and Shiller aim at restoring 'from the intellectual history bin' (p. 6) the (*old*) Keynesian concept of *animal spirit* in order to improve our understanding of the last global crisis. Of course, the book, as many others, deals with the current recession, however it can be distinguished from other works because it offers a normative perspective about the way of developing economic theories.

Beyond the scope of the book, Akerlof and Shiller claim for a theoretical revolution in economic theory. As Keynes reminded us in 1936, academics and policymakers should restore the place of individual psychology (even if it looks irrational) if we want to understand how economic phenomena works and then improve our ability to forecast the potential emergence of a crisis. In this perspective, Akerlof and Shiller use the contributions developed in cognitive psychology and behavioural economics.

As they suggested in the title of their book, the authors emphasize the key concept of '*animal spirit*'. By animal spirit one should understand 'the state of mind which is underlied by any intellectual and emotional

mechanisms, (p. 9). More precisely, in the chapter dedicated to this concept, authors show how 'animal spirit' is closely linked with the notion of 'confidence'. Through this concept of confidence, the authors focus on the individuals' decision making process which is not totally governed by perfect rationality (as is often presupposed in the economic theory). In a sense, the authors hold that the history of capitalism is more a thorough study of the individual 'mind' rather than a study of economic policies or quantitative theories. More precisely, this *spiritus animalis* can be seen as the power of the mind which is the prime mover of human actions. Such approach is clearly based on a theoretical view opposite to liberal Smithian traditional approach according to which the economic equilibrium would be the result of agents' perfect rationality. Authors implicitly claim that, till date, economic advisors and policymakers have been blinded by the liberal theories and the idea that market efficiency is possible, thanks to the hypothetical perfect rationality of individuals. The last crisis reminds us of the limits of such a framework. In line with Keynes and his 'General Theory', Shiller and Akerlof claim that time has come to restore the place of individual psychology and social behaviour in economics.

The added value of the book relies on its ability, without using a mathematical argumentation, to survey most of the main macroeconomic issues such as unemployment, monetary policy, place of the State, consumption and saving decision making process and so on. In this perspective, this book aims to reach a very large audience of people interested in economics.

Through the 13 chapters, Akerlof and Shiller successfully show that psychology and confidence had been (and still are) at the roots of the economic decision making process. The book focuses essentially on the financial and monetary crisis over the last decades (mainly in Chapter 3). Such historical survey sustains the main idea of the authors according to which the so-called animal spirit played a key role in each financial or real estate speculative bubbles. Most of the crisis we observed (the 1890 depression, the 1930 Great depression, the 1987 crash or more recently the subprime crisis) often started from a lack or an excess of confidence or from corruption. In order to take into account the importance of this animal spirit, Akerlof and Shiller introduce a new *confidence multiplier* deriving from the well-known concept of Keynesian multiplier. They define this new multiplier as 'the impact on income of a unit of confidence

(whatever in the case of one unit more or one unit less)' (p. 26). This new concept is then applied to the subprime crisis. Because of an excess of confidence towards the real estate sector, every agent created a 'myth' or a 'fantasy' on the ability of the real estate investments to create wealth. We should mention that not only agents were responsible but the economic and banking institutions had their part of responsibility since they massively sustained the mechanics of the 'subprime' credit or the 'securitization' process and its derivatives (ABS or CDS). Even if this securitization process can be rationally justified (since this process is based on the idea of diversification of risk), it gave an illusion about the way of creating wealth by diluting risk.

According to Akerlof and Shiller, Chapter 7 is the cornerstone of the book because it proposes new ideas for monetary policy (p. 107). Monetary policy should rely on a stronger discretionary power of the central bank through its standing facilities. By referring to the history of the Federal Reserve System¹, Akerlof and Shiller remind us that the primary objective of a central bank is to provide liquidities in short-term in order to prevent systemic crisis. In this perspective, a central bank is the 'monetary and financial fireman' thanks to its *lender of last resort* function (such as in the LTCM crisis in 1998 or more recently in the subprime crisis). For authors, standing facilities of central banks should be the leading instrument for monetary policy while open-market operations should then be considered as secondary. However, as emphasized by authors, most of the current central banks in the world (mainly the Fed, ECB or Bank of England) take the opposite monetary strategy.

From Chapter 8 to Chapter 12, the book surveys the main macroeconomic issues through the development of the leading Keynesian concepts. We regret that the authors add nothing new about these major issues. For instance, the explanation of unemployment is derived from the theory of wage efficiency and from wages' stickiness arguments both in theory and practice. We observe the same thing with the monetary illusion topic. Nothing new is said unless the affirmation that monetary illusion matters both in short and long runs (contrary to the dogmatic vision developed by the mainstream theory which denies this monetary illusion).

The authors clearly aimed to reach a large audience. That is the reason why their book is mainly based on examples rather than on theoretical argumentation. However, while it can be seen as a key point, the heterogeneity of the subjects dealt with is the weakest point of the book.

In fact, most of the main macroeconomic topics are presented in a general way and no real demonstration is proposed. Considering the background of the authors, we also regret the lack of practical recommendations² concerning policy. As a consequence, we think that the academic audience will probably expect a deeper analysis than the one proposed in the book. In a sense, this book must be seen as a manifesto to a more realistic economics which would take into account the complexity of human behaviour. The leitmotiv that could summarize the book would be as 'everybody can trust in capitalism but not in a self regulating capitalism'. When markets fail to perfectly coordinate agents' allocations, state regulations remain necessary. In this context, Prof. Keynes still seems to contribute the more as an economic advisor even in the twenty-first century.

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Slavoj Žižek, *First As Tragedy, Then As Farce*, 2009, London/New York: Verso, pp. 157. ISBN: 9781844674282

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Slavoj Žižek's latest book, *First As Tragedy, Then As Farce*, is the most accessible book that has come from his pen thus far. It will certainly find a wide readership, also outside academia, especially among the international left, or 'our side' as Žižek puts it, which 'no longer has to go on apologizing; while the other side'—the side responsible for a financial meltdown of historic proportions and for cynic or enthusiastic support of late capitalism—'had better start [apologizing] soon' (p. 8).

Surely, many of the readers who count themselves to this Our Side will resist Žižek's fierce defence for 'The communist hypothesis', an expression of Alain Badiou chosen by Žižek as the title of the second and last chapter. With this controversial pamphlet, is not the philosopher, *cum* political seducer of the youth, himself setting the stage for a repetition of history as a farce? Žižek's answer is a resounding No 'Try again. Fail again. Fail better', he quotes from Samuel Becket's prose piece *Worstward Ho* and lashes out against the mushrooming of gated

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communities from Shanghai to São Paulo (p. 4f) and today's wave of enclosures around physical and virtual commons, where the extracting of rent is becoming more and more important as a source of profit for capital (p. 145). Faced with what amounts to a crisis in a civilization, we should make a radical return 'to the starting point', even positioning ourselves before 'the Jacobin climax of the French revolution'; repeat the beginning, 'from the zero-point': 'One should reject any sense of continuity with what the Left meant over the last two centuries' (p. 86f), whilst keeping 'the precise reference to a set of actual social antagonisms which generates the need for communism' (p. 87f).

What the title of the book alludes to, by quoting from Marx' *Eighteenth Brumaire*, is instead two presidential addresses by George Bush. One was held after 9/11 and one after the financial collapse. In both speeches, Žižek argues, Bush 'evoked the threat to the American way of life' and the need to act fast and decisive, also by 'the partial suspension of American values' (p. 1). In the first case inviolable freedoms of the individual were suspended and in the second the supremacy of market capitalism. Žižek's inspired account for the latter suspension by means of massive and 'socialist' state intervention to save the financial system remains an important reference point throughout the book. It is this account and Žižek's explanation in the first chapter, of the different forms that ideology can take, that is of primary interest to all those who study finance in general and the mundane enigma of money in particular.

That chapter is entitled 'It's Ideology, Stupid!', but Žižek makes clear that *ideology* functions in two modes: in the *symptomal* mode, which we have become used to expose, and in a *fetishistic* mode, which enable ideology to appear as 'non-ideology'. When the symptoms, the 'cracks in the fabric of ideological lie' that protects a system, become too ubiquitous—as is the case for the present day financial system, one may add—there remains always the resource of the fetish. This is 'the embodiment of the Lie which enables us to sustain the unbearable truth' (p. 65), for example when holding on to an item that once belonged to a loved one who is now dead. Money, what Finance is all about, is the cardinal example of a fetish that makes us 'able to accept the way things are'. To bring his argument into the realm of morality and ethics: I can be perfectly aware of shocking economic injustice prevailing around me in a deeply unequal society. I can honestly renounce this state of affairs, as well as label in contempt all apologetic explanations surrounding the

dire situation as 'ideology'. My very possession of a sizeable amount of money—paradoxically enough also the *symptom* of something being very wrong in the society as a whole—nevertheless enables me to endure eating my five course dinner, be it also from golden plates. What I have to do, with Žižek, in order not to have a break down, is to clench with whitened knuckles, harder and harder, to my money fetish. One of Žižek's great achievements, which he in this book makes even more accessible to a broad audience, is the way in which he—supported by his particular brand of Lacanian Marxism—sheds light on the difficult, or 'enigmatic', fourth section in the first chapter of Marx' *Capital* that deals with commodity fetishism, the absolute centrality of this idea to Marx' analysis of the capitalist system.

'I pretend to be a rational, utilitarian subject, well aware how things truly stand, but I embody my disavowed belief in the money-fetish', Žižek explains (ibid.). Lies here not one of the secrets of professional finance taking so called 'excessive risk', up until the very brink of disaster, also when disaster appears unavoidable to 'the rational agents'? Analysing Alan Greenspan's appearance before the US Congress—when Greenspan displayed his 'shocked disbelief' in how carelessly, speaking in commonsensical terms, the financial companies managed their risks—Žižek points to 'the financial speculators' quite rational expectation that the risks would be worth taking, since, in the event of a financial collapse, they could count on the state to cover their losses' (p. 30). It is however simply hard to believe that the top managers of banks and other profit maximizing financial institution and certainly not the individual financial trader, had this in mind already before these institutions crashed. Were they not simply making more money, up until the point when ... they didn't do so any longer? Doesn't the notion of rationality in the short run combined with Žižek's own evocation later in the same chapter of the role of the money-fetish provide better tools for understanding the socio-psychological aspects of the financial melt down?

It is an adventure to read a text written by Slavoj Žižek. This time he starts out from the financial crisis and its ideologues. He deals with citizenship and exclusion, Obama's presidency, the class politics of the Talibans, Stalinism, anti-Semitism, liberalism, Christianity, Islam, climate change, food crisis, war and poverty or the adverts of Starbucks. He uses both the most commonplace and abstruse examples to make us *see* the precarious times we are living in. He quotes both Marx and the Marx

brothers to make his eye-opening points about burning global issues, arguing that what ‘we are allowed to observe prevents us from *knowing what it is that we see*’ (p. 8).

In the spirit of Enlightenment, Žižek is not afraid. He argues for ‘reinventing [communism] on a new basis’ (p. 156). Žižek shows that it is possible to be both a learned and a daring academic, putting oneself at risk. This book is highly recommended.

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Maurice Lagueux, *Rationality and Explanation in Economics*, 2010, Abingdon: Routledge, 304 pages, price: £90.00, ISBN: 978-0-415-55121-2.

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Maurice Lagueux’s book provides a methodological and historical discussion of a central notion in economics. An essay in the original sense of the term, the book sets forth and defends a central thesis, according to which the rationality principle plays a key role in explanation in economics. The rationality considered here should not, however, be understood as a capacity to maximize. Rather it returns, for the author, to the basic idea that human actions generally have a meaning, a reason: people usually act in a rational manner in accordance with what they consider to be the best thing to do. This minimal conception of rationality—which is basically instrumental—admittedly remains vague, but it has the advantage of being neither false nor tautological, unlike more sophisticated conceptions. Lagueux shows that this rationality principle, often ignored or misunderstood, plays a role in explaining economic phenomena comparable to that of laws in the natural sciences. This principle is also seen as sufficient to allow many idealized theoretical models to be interpreted.

The book is in four parts. The first part traces the evolution of the idea of rationality over the history of economic thought. The author shows that the basic minimal idea of rationality, which he proposes reviving, can be found in the writings of economists since at least the late eighteenth century. He then describes two major developments that marked the history of this concept of rationality. The first development, that we owe to the marginalists, was the emergence of a conception of the rational agent

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as a maximizing agent and of a 'geometrical image' of the rationality of the agent maximizing utility. The second major development, revealed preference theory pioneered by Paul Samuelson, introduces a new conception of rationality as consistency in choice, which is the condition for the revealing of distinct preferences. Lagueux emphasizes the limits of this notion: apart from the fact that it is not even a sufficient condition for basic rationality, it turns out to be contradictory as soon as one wants to take into account changes in tastes. These two developments are, according to him, two stages in the 'occultation process' of the original rationality principle (p. 49).

The aim of the second part of the book is to put forward an acceptable conception of methodological individualism and to discuss the objections that have been raised in regard to it. This aim is presented as essential, since, Lagueux writes, 'the rationality principle, at least in the minimal version that I have proposed, supposes an understanding of individual behaviour which is hardly distinguishable from methodological individualism properly understood' (p. 7). Apart from the importance of not confusing it with ontological individualism, Lagueux emphasizes that methodological individualism does not exclude social interactions being able to play a crucial role in individual behaviours: in this sense, it is not a constructivist methodology, that would require that 'social entities can be understood as directly resulting from well thought and well planned human actions' (p. 77). In another respect, the adoption of methodological individualism is no longer synonymous with reductionism. Finally, methodological individualism resists the 'fragility and multiplicity of selves' which the recent work of John Davis (2003) and Philip Mirowski (2002) has stressed.

The fourth chapter is devoted to irrationality. How can the rational be distinguished from the irrational on the basis of a minimal definition of irrationality? The answer here is given in a negative way, as Lagueux points out that it is not on the basis of an action's material description that one can decide on its rational or irrational character. Nevertheless this limitation is not insurmountable, for it is not necessary to be able to draw a firm and definitive line between rationality and irrationality, nor to be able precisely to determine an action's degree of rationality: the basic idea of rationality is deemed adequate for explaining economic phenomena.

The fifth chapter looks at another objection that could be raised against the principle of minimal rationality: would not a certain

idealization of the rationality principle be needed to have a more precise, less ambiguous definition? Lagueux notes that ‘maximal’ formal definitions of rationality—maximization and consistency—are no less free of ambiguity, especially when one wants to define people’s beliefs and preferences. Moreover, he points out that the ‘minimal’ definition is never strictly minimal, for what matters is having a pertinent level of definition for explaining the functioning of the real economy.

The third part of the book deals with how economists have tried to avoid the problems raised by the notion of rationality. In Chapter 6, the author offers a critical examination of Friedmanian instrumentalism, according to which there is no need to ‘be concerned with the unrealistic character of the assumptions of a hypothesis which seems to have fairly well tested implications’ (p. 131). Lagueux’s criticism concerns different aspects of the thesis: the vagueness of the definition of ‘principles’ and ‘implications’ and the fact that the famous examples put forward by Friedman do not rigorously support his thesis. Finally he points out the difference between Friedman’s notion of instrumentalism and the notion of instrumentalism as generally conceived in the physical sciences. Chapter 7 is concerned with the debate between Gary Becker and Israel Kirzner following the publication of Becker’s paper ‘Irrational behavior and economic theory’ in 1962. Becker’s aim was ‘to neutralize objections frequently raised against the role of rationality understood as maximization’ (p. 153). Lagueux shows that what for Becker is the essential element of rationality, that is, responsiveness to new information, is neither a necessary nor a sufficient condition for rationality. This chapter is also the occasion to mention the work of Daniel Dennet and Don Ross, who tend to relativize the centrality of the rationality principle in the social sciences. These authors emphasize the possibility of predicting the behaviour of individuals or entities by ascribing ‘institutional positions’ to them. This work is described as relevant to a parallel rather than competing field of research.

The fourth part of the book is concerned with the specificity of explanation in economics. In chapter 8, taking Armen Alchian’s (1950) founding paper as a point of departure, Lagueux first examines explanation by way of natural selection which, alongside rational explanation, would be another basis for explanation. He shows that although these two types of explanation may at first sight seem complementary, they are fundamentally mutually exclusive and that rational explanation remains more

relevant for the level of explanation required for understanding economic phenomena. In the ninth and final chapter, Lagueux emphasizes that certain difficulties associated with explanation are not specific to the social sciences: the work of Wesley Salmon and Bas van Fraassen (to mention only these two) reveal limitations linked to the epistemic nature and the context dependence of explanations in the natural sciences. In view of these difficulties and despite the relative predictive weakness of economics, Lagueux considers that there is no reason to reject rational explanations in the name of an illusory vision of a unified science, of which Hempel's model would be the standard example.

The scientific and educational quality of the book, as well as the originality of its thesis, unquestionably make it a key work on the subject. The book has many points to recommend it. First, it puts forward a strong thesis, where what is at stake is central for the understanding and orientation of research in economics and more generally in the social sciences. The thesis is backed up by outstanding historical work, summarizing and critically examining the debates that have punctuated the history of economic thought. The book also helps clarify a number of methodological questions, such as the role of causality and the role of law in scientific explanation.

Another of its qualities lies in its proposing an original thesis that questions the very foundations of economic knowledge. Because the book goes beyond the historic divide between the dominant neoclassical current of thought and its heterodox critics, it makes possible a reconfiguration of the area of discussion around new problematics. One example of such reconfiguration is the status of methodological individualism, often criticized for its supposed reductionism. Lagueux defends methodological individualism, showing at what point this constitutes a central element of explanation in the social sciences, an element that historical figures of the heterodoxy as emblematic as Marx or Keynes have not failed to make use of (p. 73). Another example of this reconfiguration: Lagueux reverses a very widespread way of evaluating the scientificity of the social sciences and economics solely according to the exemplary model of the natural sciences. While it is commonplace to say the social sciences are generally less certain and their predictive capacity less well assured, Lagueux emphasizes that even if the rationality principle remains vague and solely instrumental it nevertheless is a principle of explanation that has no

equivalent in the natural sciences (and that economists would be ill-advised not to use).

In conclusion, this book seems to be a major contribution to the methodology of economics. It is aimed at a wide readership: not only specialists in methodology or the history of ideas, but all economists and social science researchers open to thinking about the instruments of knowledge.

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Geoffrey M. Heal, *When Principles Pay: Corporate Social Responsibility and the Bottom Line*. (2008). Columbia University Press, 288 pages. ISBN: 978-0-231-14400-1

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Increasingly corporations in the developed world are looking for ways of doing good while still doing well. Indeed, environmental and social concerns are becoming prominent in today's globalized world, what with the growing role of NGOs, spread of restrictive legislations or looming consumer boycotts.

However, one can wonder whether these concerns, even if legitimate, should be addressed in the corporate realm: After all, as Adam Smith understood more than two centuries ago, isn't it the case that by promoting one's own self interest, one contributes to the greater benefit of society? Didn't Nobel prize-winner Milton Friedman claim in a 1970 much-cited article 'The Social Responsibility of Business is to Increase its profits' (*The New York Times Magazine*, September 13, 1970) that 'there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rule of the game, which is to say, engages in open and free competition without deception or fraud'? Major companies such as Nike, Merck, Monsanto, Citigroup or Wal-Mart can bitterly testify that these arguments do not shelter businesses from loss of goodwill, if not outright bankruptcy, when deemed to neglect their alleged environmental or social responsibilities.

So what does 'being responsible' mean today? What should a 'responsible' corporation aim at, on top of maximizing its shareholders' revenue? And

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of course, what's in it for corporations? 'When principles pay' is an accessible yet rigorous book about the incentives companies face when making a choice on environmental and social issues, and the non-market forces attempting to influence it.

Acknowledging that corporations do have a deep impact on society beyond production is the first step towards understanding the responsibilities that befall them. As Geoffrey Heal makes clear from the start, Smith and Friedman are right in saying that profit-maximizing behaviour delineates the fastest way to global efficiency, but only under strict conditions not always met in real life. As soon as economic activity imposes a cost on external agents without their consent, like generating pollution or selling health-damaging goods such as cigarettes, are these conditions violated. This entails a discrepancy between corporate and social interests.

Government intervention often aims at correcting such discrepancies by imposing norms or taxing socially harmful behaviour, for instance. However, public authorities do not always have the necessary information or means to enforce such correcting mechanisms. In these circumstances, disputes, law suits and punitive actions in order to realign corporate and social interests are to be expected. At sometimes a huge cost for corporations.

Besides, even in the absence of external effects, there exist several ways of reaching global efficiency, many of which are not considered 'fair'. And it turns out that fairness is a widely shared concern: Most people hardly see discriminating on gender or race, using child labour or prospering on 'sweatshop' technology as defensible practices. So being responsible means just this: supporting the actual cost of one's activities on environment and society on the one hand, and adopting fair business practices on the other hand.

But does it really pay in the end to do the right thing? Undoubtedly, corporate social responsibility (CSR) must involve additional costs that less scrupulous competitors do not support, so that in the long run, unless all companies are compelled to follow the same rules, do-gooders are bound to be wiped out of the market, right? Geoffrey Heal convincingly argues that to the contrary, doing good generally serves long-term corporate interests through 'in addition to reducing the risk of conflicts, the reduction of waste, improving relations with regulators, generating brand equity, improved human relations and employee productivity, and a lower cost of capital' (p. 20).

Capital markets understand this and there is empirical evidence that socially responsible behaviour leads to higher stock-market valuation, as long-run profits are likely to be positively affected by lower dispute prospects. In other words, capital markets tend to consider opportunistic behaviour as a future liability.

Moreover, the data also exhibit positive correlation between a good CSR record and superior financial performance, and everything indicates that the causal link goes from the former to the latter. Hence, environmental and social records are gaining importance in the eyes of an increasing number of investors, all the more as the information is becoming easier to obtain. Some agencies have even found it profitable to provide environmental and social ratings.

In the same line of thought, socially responsible investment (SRI) funds are constantly growing in volume and in diversity; they represent all kinds of persuasions and amount today to about ten percent of the total funds invested in capital markets. Not only are these funds increasingly popular, but they also perform well on average, so that being an ethically motivated investor doesn't really harm the returns. Several studies tend to suggest that 'socially responsible behaviour proxies for general managerial competence' and although the effects of SRI are unclear, 'shareholder activism by socially responsible investors, along with consumer activism, has affected the choices of influential corporations' (pp. 65–66).

One of these influential corporations is certainly Citigroup. Typically, financial institutions do not really have to care about costs they impose on external agents. But the projects they finance could entail such costs, so that banks might be seen as indirectly responsible for their clients' shortcomings. This has led several major international banks, at the initiative of Citigroup, to design and implement in 2003 the so-called Equator Principles (EP), a set of constraining social and environmental standards that financed projects, whether set in developing countries or not, should satisfy.

These standards are often more stringent than internationally acknowledged ones and their promoters were under no legal obligation to develop them. Still, they found it in their interest to do it and a growing number of banks are now committed to follow them. Geoffrey Heal carefully describes the context in which this story takes place and the reputational

importance of the EP that led competing banks to unite their efforts to this purpose.

In subsequent chapters, other recent and significant case studies illustrate the importance of CSR: how Merck and the pharmaceuticals' in general failed to understand that 'it is politically unacceptable that people should die or suffer only because of their income levels' (p. 111), how Wal-Mart and Starbucks chose diverging policies and experienced different successes, or how and why Interface and Monsanto failed to reach their business objectives despite good intentions.

Before concluding by discussing from a corporate executive's perspective how to measure CSR and incorporate it into financial statements, the author tackles the fairness side of globalization that, not surprisingly, constitutes probably the most controversial aspects of social responsibility. With great clarity, he asks the right questions and provides the relevant elements for answering them.

Outsourcing is perhaps one of its most discussed and the less well-understood aspects, with implications not only on the home labour market but also in developing countries where child labour and sweatshops are not uncommon. Very often, it is forgotten that the poor in developing countries gain from outsourcing. Cases of outrageous abuse of workers still exist, but are increasingly driving Western firms to closely monitor their subcontractors.

Another aspect is 'getting rich by selling to the poor'. Is it moral to make money by selling goods to people who hardly earn a couple of euros a day? The same questions arise with the spread of mobile phones in poor countries. Do these people not have more urgent needs? This is forgetting that these goods and services sold to the poorest make an immense difference to their quality of life by bringing economic benefits to them as well as to the sellers. These are transactions in which both sides can win.

With this book, Geoffrey Heal builds a strong case for involving the corporate world in environmental and social issues. Globalization is not only a market enlargement, it also brings increased consumer awareness and multiplication of NGOs. These non-market forces grow stronger as time goes by and no doubt the spread of corporate social responsibility is an accelerating movement. We can expect business models based on opportunistic or short-sighted behaviour to have an increasingly hard

time in the future. Might it be that, after all, being socially responsible is the profit-maximizing behaviour?

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Notes

1. The creation of the Federal Reserve System was partially the result of the intensive work of the senator Nelson Aldrich after the 1907 US banking crisis.
2. George Akerlof was member of John Kerry's economic advisors' team during the 2005 presidential campaign.

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