theory, which sticks out like a sore thumb and makes one wonder about his understanding of some aspects of economics, I make no comment.

The book as a whole makes one think. I would like to think it be made compulsory reading for all economists, but I doubt that it will.

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Rules and Institutions. By NICHOLAS ROWE. (New York and London: Philip Allan, 1989. Pp. x+149. £27.50 hardback. ISBN 0 86003 071 7.)

Nicholas Rowe considers an important queston: how are social institutions (such as promising and borrowing) explicable in terms of homo economicus? This book argues that social institutions are rules of action. Precommitment to following rules of action is seen as a solution to the time-inconsistency problem. It is worth quoting at length: '...an agent does not pick the fruit from his neighbour's tree. He does not steal his neighbour's apples because he expects that his neighbour would punish him if he did. The reason his neighbour would punish him is not that the act of punishing is itself rational, but because it is rational for the neighbour to follow a rule of punishing, for by doing so he will deter the theft of his apples. If agents did not follow such rules, and expect other agents to follow such rules, each would pick apples indiscriminately. There would be no social institution of property...no society' (page 6). Rowe distinguishes between act-individualism (where rational agents choose each act rationally), and rule-individualism where agents precommit themselves to following the rules that constitute institutions such as property (he entitles chapter 2 with the slogan 'Institutions are rules of action'). The crucial point is that 'unlike agents who have actually precommited, and are *forced* to carry out their precommitments, agents who follow rules *choose* to do so, and stick to their rules only because they wish to preserve their reputations for doing so' (page 57).

Rowe is a methodological individualist. Social institutions emerge as the outcome of a Prisoner's Dilemma game: agents can choose either to follow rules, in which case institutions such as property and borrowing will exist, or agents can choose not to follow rules in which case a Hobbesian state of nature will occur. Of course, standard game-theory tells us that not repaying loans and breaking promises is often the time-consistent (subgame perfect) equilibrium. He rejects the standard game-theoretic interpretation of reputations (where do all the types who repay debts come from?). He gives an alternative account that goes something like this (in chapter 3): it is not possible to predict *a priori* how rational agents will behave in all games; given this, even with common knowledge, players are unable to predict the future course and outcome of games; hence player B 'must instead use A's past plays as an indicator of how A is likely to play in future games (page 47)'. By following rules, players can mould other agents' expectations of them. Whilst there are severe and fundamental problems at the heart of game-theory, centred on notions of 'common knowledge' and 'rationality' I do not find Rowe's thesis

convincing – even given his Quixotic rhetoric with its use of 'therefore' and 'logical contradiction'.

My main disagreement with Rowe, however, is over the task he has set himself. His social institutions occur in a world without a state and in which agents have not been socialised to internalise the norms of society. His institutions of property and so on exist in an Anarchist society. His 'rational agents' have no belief in God or morality. This is not the world in which we live. It is surely enough for the economist to explain institutions by showing that if they exist, they will persist. The payoff matrix of the prisoner's dilemma does not capture the existence of the legal system nor our own internal values. Without the police and socialisation, there would indeed be chaos. Indeed, in order to follow a rule and be seen to be following a rule presupposes the institutional framework which they are supposed to explain. One problem with his approach is its very generality: the main example he discusses is stealing apples. His methodology cannot in principle explain how (for example) the nature of property rights changes over time, and how institutions evolve.

Despite my disagreement with the problem Rowe set himself and his proposed solution, I enjoyed reading the book. It is clearly and concisely written, and contains many interesting insights. It is very much his own personal view, and although I missed the discussion of the vast literature on the subject, it does have a certain force and coherence.

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Economics and Power: An Inquiry into Human Relations and Markets. By RANDALL BARTLETT. (Cambridge and New York: Cambridge University Press, 1989. Pp. xi+209. £22.50, US $32.50 hardback. ISBN 0 521 35562 1.)

As the title of this book suggests, Randall Bartlett is concerned with the failure of neoclassical economics to give a prominent role to 'power'. 'Power' is defined as 'the ability of one actor to alter the decisions made and/or welfare experienced by another actor relative to the choice that would have been made and/or welfare that would have been experienced had the first actor not existed or acted' (page 30).

To support his claim that power should be included explicitly in economic modelling, Professor Bartlett cites a number of real-life examples ranging from employer-employee relations to liability law. For example, physicians – by virtue of their presumed superior knowledge – exercise power over their patients. Pharmaceutical companies – by virtue of the inability of physicians to have detailed up-to-date information about the vast number of drugs on the market have power over physicians, and consequently ultimately over patients. The laboratories of the pharmaceutical companies – by virtue of their ability to do shoddy testing of drugs and to falsify results of tests have power over the officers and shareholders of the company by opening the door to lawsuits and ultimately over physicians and their patients.

Towards incorporating power in economics, the author proposes amending