Economics, Exuberance and Philosophy

Capitalism, Democracy and Ralph's Pretty Good Grocery
by John Mueller
Princeton University Press 1999
335pp. $US29.95
ISBN 0-691-001144-6

Ralph's Pretty Good Grocery, for those like me who miss popular culture allusions, is a fictional shop in the imaginary Minnesota town of Lake Wobegon, a place invented by the humorist Garrison Keilor. Its slogan is 'If you can't get it at Ralph's, you can probably get along without it'. For political scientist John Mueller, this slogan sums up capitalism and democracy. They may not supply everything, but what they don't you can probably do without.

This book has the feel of an American upper-year university academic textbook, copiously referenced (the bibliography runs for 26 pages), and clearly if uncolourfully written. It even has a summary of the book's propositions up the back, as if for an exam crammer. The textbook style is, however, very deceptive, because this book contains many original and unusual lines of argument alongside its synthesis of numerous other authors and arguments.

Mueller has something to upset just about everyone with a view on democracy. There is currently much concern about an international decline in political trust and, in countries with voluntary voting, a drop in the numbers turning up to the polls. Mueller, by contrast, is relaxed, pointing out that apathy and widespread political ignorance are normal in democracies, and that apathy can be a good thing, as it often leads to tolerance.

The worriers about political trust are often conservatives or leftists, but the views on democracy of thinkers that *Policy* readers would generally respect, such as Milton Friedman and Peter Berger, are also contradicted. They, amongst others, argue that capitalism is a precondition of democracy, because it creates many sources of competing power. History has provided exceptions to this rule. In Bulgaria, for example, they had several years of freedom of speech, free political organisations and fair elections, all while the state controlled most of the economy.

Other theories of the pre-conditions of democracy, such as the spread of literacy or the presence of particular cultural values have also been falsified, as democracies have appeared in nations in which they were lacking.

In Mueller's view, democracy exists when people are free to lobby and petition and governments are routinely responsive. Strictly speaking this does not even require all the political rights we normally associate with democracy, since women's interests have been greatly advanced by their lobbying even in times when they did not have the vote. The prospect of effective lobbying gives minorities a place in a system based on majority rule, with Mueller giving the highly effective American civil rights movement as an example, despite blacks making up only about 10% of the US population.

Mueller thinks that most theories of democracy are actually unhelpful, since talk of necessary preconditions gives authoritarians in countries where they are absent an excuse not to democratise, and setting up unrealistic ideals is more likely to foster disillusionment than change practice. We are better off accepting democracies as what they are—messy but generally effective ways of peacefully organising government.

If democracy suffers from having too good an image, the reverse is true for capitalism. As Mueller says, capitalism is 'routinely assumed to inspire in its practitioners behaviour that is deceitful, deceptive, cowardly, unfair, boorish, and lacking compassion'. While these undesirable attributes can be found in any society, Mueller argues that capitalism in fact encourages their desirable antonym qualities—honesty, heroism, fairness, civility, and compassion. The reason it does so is that it is easier and less costly to do business with people who display desirable attitudes to interpersonal relations, and that the risk-taking entrepreneur is 'heroic' in bringing new goods and services to the market.

Mueller concedes that these qualities are not always sincerely displayed, but that people who are sincerely honest, fair etc. will in fact do better, since they will find it less difficult to be consistent. If people are perceived to be calculating and manipulative in their display of the capitalist virtues they will encourage cynicism.

While all this is a useful corrective to the standard left/conservative critique of capitalism, I found Mueller's most interesting argument about capitalism to be that it was the rise of 'business virtues' that facilitated rapid economic growth from the 19th century. While various 18th century writers, including Adam Smith, did notice a connection between civility and commerce, it was only in the mid-19th century that it became elaborated advice, with P.T. Barnum's *The Art of Money-Getting*.

Mueller speculates, plausibly enough, that books like this were part of a culture shift that made doing business more pleasant and less risky, and therefore contributed to rising living standards.

Happily enough for think tanks, Mueller also gives plenty of credit to ideas entrepreneurs for improvements in ways of life around the world. Democracy rose not so much because there were any essential preconditions, but through a marketing process that involved successful product testing, the failure of competitors, fashion and luck.

Similarly, capitalism greatly benefits from the successful establishment of a consensus that says that economic well being should be a dominant policy goal, that wealth should be gained through exchange rather than conquest, that international trade should be free, and that economies do best when governments leave them alone.

I hope this book comes out as an affordable paperback, as it provides a useful overview of the literature on the culture of capitalism and democracy, as well as offering many interesting arguments of its own.

Reviewed by Andrew Norton

Irrational Exuberance

By Robert Shiller

Princeton University Press 2000
296 pp US$27.95
ISBN 0-691-05062-7

Shiller's book takes its title from a famous remark about the US stock market made by Alan Greenspan in late 1996. But the title is also apt given that Shiller is a leading proponent of the school of behavioural finance, which calls into question the rationality of participants in financial markets and the efficient markets hypothesis. Shiller's book proved to be remarkably well timed, being published just prior to the sharp decline in technology stock prices earlier this year.

Shiller makes the very strong claim that the US stock market is in the grip of an irrational speculative bubble and that 'the recent high valuations in the stock market have come about for no good reasons' (p. 203). To support this conclusion, Shiller cites a wide range of cultural and psychological factors that are said to support the market over and above levels that would be justified on the basis of economic fundamentals.

Shiller draws heavily on the established body of behavioural finance literature to make his case. However, as Shiller readily concedes, 'correlation is certainly not causation' (p. 43). The many psychological and cultural factors that Shiller cites are certainly consistent with the possibility that the US stock market is overvalued. But Shiller is unable to demonstrate (as opposed to postulate) a causal relationship.

There is not enough evidence here to support Shiller's strong claims about the overvaluation of the US market. Shiller goes so far as to argue that 'whether the stock market falls or continues its upward climb in the opening years of the twenty-first century will neither prove nor disprove this book's essential thesis about irrational exuberance' (p. 204), which makes one wonder what could disprove it. Karl Popper would have something to say about this. The idea that the US stock market is high by historical standards is widely accepted and can be readily supported by the use of conventional valuation measures. We do not need to believe in the irrationality of investors to conclude that the US market might be overvalued.

Shiller's book certainly touches on some important issues. For example, there is considerable debate over whether there is something different about the US economy this cycle that might warrant recent stock market valuations. Shiller is appropriately sceptical about the role of 'new economy' theorising in rationalising current valuations. Unfortunately, the behavioural finance literature cannot adequately address this issue. Shiller neglects the growing literature on alternative valuation methodologies, in particular, the application of options pricing theory to stock valuation. Shiller also ignores inconvenient facts, such as the growing popularity among investors of index funds, which are firmly grounded in the efficient markets hypothesis.

The preoccupation with valuations and speculative volatility obscures the more important issue of whether the market for equity securities in the US and elsewhere is continuing to allocate capital efficiently. Of course, these issues are closely linked. Behavioural finance theorists can supply us with good reasons for thinking that irrational considerations enter into the capital allocation process. But does this matter? The efficient markets hypothesis is only an approximation of this process, describing a tendency to converge on a market-clearing equilibrium. Like many other contributions to the behavioural finance literature, Shiller's book targets a straw man, a theoretical ideal that was only ever meant to be approximately true. For the most part, markets ensure that mistakes made in the process of allocating capital are eventually exposed and that their costs are privately borne. The key issue is to ensure that the institutions that govern the allocation of capital promote rather than hinder this process.

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This raises some interesting issues for public policy, which Shiller touches upon in his final chapter, 'Speculative Volatility in a Free Society'. Shiller's policy recommendations are remarkably modest, considering the extent of his earlier claims. To his credit, he stops short of recommending the wholesale re-regulation of financial markets. This is perhaps an implicit recognition of the limitations of his argument. However, others who take to heart his argument about the irrationality of investors might not be so coy. Indeed, recent volatility in financial markets and its implications for the real economy have seen increased interest on the part of the authorities in improving the governance of financial markets. This is the right focus. Unfortunately, many of the proposals for improving governance seek to substitute the very subjective judgements of the authorities for the impersonal outcomes of markets.

There is a problem here for the proponents of behavioural finance. If we are overly subject to various irrationalities and cognitive biases, surely these biases will have the most potential for harm when they are held by decisionmakers with the coercive authority to enforce those judgements. A wide range of less than rational considerations undoubtedly drive markets. However, the market for equity and other securities by its very nature reflects opposing views of future develop-ments ('the mean expectation of the speculator is zero'). An error of judgement on the part of an individual or group of investors is eventually exposed, assuming governments do not establish institutions that interfere with the market's discovery process.

Shiller shows little appreciation for the role of government in promoting speculative volatility. For example, the emerging markets crisis of 1997-98 has prompted considerable interest in reforming the international financial system. However, many of these proposals seek to limit the free flow of capital and opportunities for regulatory arbitrage. Yet it was a regulatory mistake, namely, the distortions introduced by the Basle capital adequacy requirements, that was an important factor in bringing about the crisis. This highlights the importance of alternative and competing frameworks of governance for financial markets. The recent volatility in Internet and biotechnology stocks followed the

US government's quasi-judicial attack on Microsoft and statements on the human genome project. The resulting volatility in share prices can be attributed to an increase in the equity risk premium, as investors became concerned about the possibility of increased predatory activity by government towards corporations.

As the literature on behavioural finance and this book demonstrates (p. 142), one of our strongest cognitive biases is our unwillingness to concede the limitations of our own knowledge. Perhaps this is why Hayek's appreciation of the knowledge problem has so much difficulty catching on. Despite his fine appreciation of our individual biases and collective irrationalities, Shiller is all too ready to elevate his own judgements above those of millions of independent decisionmakers. Irrational exuberance indeed!

Reviewed by Stephen Kirchner

The Unemployment Crisis in Australia: Which Way Out?
Edited by Stephen Bell
Cambridge University Press
2000 328 pp
$90.00 (hardback);
$34.95 (paperback)
ISBN 0 521 643945

The latest employment figures appear to show an economy powering along and creating truckloads of jobs. Hence, it may seem an odd time to release a book arguing for a dramatic overhaul of current economic policy in order to fix the unemployment crisis in Australia. I doubt, however, whether the latest unemployment figures would change the views of the authors in this book.

The main argument is that the current economic system is failing to create enough jobs and is not effective at delivering fair wage outcomes. They argue that the only solution is to increase taxes on the employed and direct the extra revenues to public employment creation.

Contributors to Stephen Bell's book include public policy commentators Bob Gregory, John Quiggin and John Nevile and labour market economists such as Raja Junankar and Roy Green.

Bell, in the introduction to the book, states that the book's objective is to recognise and outline the magnitude of the unemployment problem in Australia and to point the finger at current economic policy settings. Bell argues that the current policy orthodoxy leaves labour markets failing to distribute jobs and incomes, effectively creating persistent unemployment and increased wage inequality.

The proponents of supply side reform are criticised for failing to understand the importance of the macro economy. The attack covers well-trodden ground—indeed it provides excellent reference material for anyone who wishes to get a grip on the key arguments from opponents of free markets.

Reading the book, the attacks tend to portray supply side reformers as being rampantly against the worker. Indeed, Quiggin, in a characteristically entertaining chapter portraying the public sector as a job engine, goes as far as to suggest that the current unemployment crisis is a symptom of the classic Marxist battle between workers and employers. Current policy is all about ensuring as many workers as possible are exposed to as much competition as possible so that employers can benefit from the increase in bargaining power that comes when workers fear unemployment.

Consistent with this is a strong element running through the book that it is not only the total level of employment but the type of jobs created that is important. Jobs in the manufacturing sector are preferred to the service sector and full-time jobs are preferred to part-time jobs.

However, it not all about criticising what Bell calls the 'neo-liberal order'. A key feature is the attempt to map out the dimensions of a broad plan to promote full employment. The argument for such a plan runs like this:

- Since the 1970s, Keynesian economic policies have been replaced by supply side policies (microeconomic reform) and less Government involvement in the economy (e.g. privatisation, contracting out etc.);
- As markets have become more freer, the unfairness inherent in such markets have become more pronounced;
- Removing supply side distortions in order to reduce unemployment is based on the misplaced assumption that the labour market works like any other market. For instance, Bob Gregory reviews labour market deregulation policies in the UK, New Zealand and the US and concludes that such policies have had little impact on the absolute level of unemployment in the respective countries;
- The demand side has been neglected. Not focusing on the demand side has meant that the economy is not running fast enough.
- Labour markets interventions, however, such as minimum wages, job sharing and wage subsidies is not enough do enough to create jobs (Elizabeth Webster, for instance, reviews the outcomes of

past labour market programmes in Australia). Real impacts can only be achieved by getting the Government more involved again in the job creation business.

As you might guess there is lots of stuff here to get an activist Government excited. Indeed, one chapter calls for a coordinated industry, regional and industrial relations plan to be developed to direct the economy to produce a 'fairer' workplace.

Mostly, the solutions are pretty broad and undeveloped. While there is some muted discussion of the need to watch the impact such expansionary policies have on the current account and inflation, there is precious little discussion of the likely impacts of this private wealth transfer on productivity, savings and economic growth. What's more, there is the naive belief that the Government will be better than private markets in picking winning industries.

Also, it in unclear how many of the currently unemployed will be easily placed in the industry sectors considered worthy by the authors. For instance, Quiggin argues for $20 billion in extra tax dollars to fund job creation in education, health, welfare, the environment and the arts. These industry areas are typically made up of the highly skilled and tend to have low unemployment rates. What jobs are there for the relatively lower skilled poor who are currently unemployed? In addition, past public sector job creation schemes typically have proven to have large 'crowding out' effects where private sector employment is simply squeezed by public spending with no real impact on employment levels. It is not hard to imagine how job creation directed at the education and health sectors (for instance) would not result in similar outcomes.

Perhaps the main failing of the book is that it has ignored the obvious counterfactual—the United States. This country has one the freest labour markets in the world and is experiencing full employment of the kind advocated in the book (with much lower shares of public sector employment compared to Australia). Also, it is in the United States that supply side reforms appear to have had a real impact on the level of long term unemployed (see, for instance, the dramatic impact achieved by the 'WorkFirst' reforms in Wisconsin). Why the United States has been able to achieve this when more regulated labour markets haven't is a key question that goes unanswered in this nevertheless interesting book.

Reviewed by Sean Kennedy

Law's Order: What Economics Has to Do With Law and Why It Matters

David D. Friedman

Princeton University Press 2000
329 pp, US$29.95
ISBN 0-691-01016-1

In a world where laws seem increasingly complex, is there a unifying analytical framework that allows legal rules to be rationalised? David Friedman, Professor of Law at the University of Santa Clara, argues that the economics discipline offers an extremely useful toolkit for analysing legal systems. The purpose of the book is not to develop optimal legal rules, but to describe the tools which lawyers and economists can use to understand the consequences of laws and whether particular legal rules are good or bad.

In *Policy* (Autumn 2000) the review of Megan Richardson and Gillian Hadfield (eds) *The Second Wave of Law and Economics* noted that despite the prominence of law and economics as an 'absorbing and challenging scholarship', it has failed to capture a large body of judicial acceptance. Richardson and Hadfield's purpose is to remedy a 'misconception that Law and Economics is still, and must forever be, linked to idiosyncrasies and perceived limitations of the Chicago School.'

Although Friedman's book sits firmly in the first wave of law and economics, resting primarily on conceptions of rationality and economic efficiency, it is nonetheless an important contribution to the development of a wider understanding of the economic analysis of law. The plain language style of writing and use of worked examples makes it not only a thoroughly interesting and enjoyable read for economists, but a work that should be readily understood by lawyers, hopefully leading to greater understanding of the value of economic analysis by the legal profession.

The aim of the book, Friedman explains, is to question whether legal rules achieve the purpose of economic efficiency, commonly ascribed in economic analysis of law as the purpose of a legal system.

The book is divided into three parts. The first consists of an explanation of what role economics has in the analysis of law, including an explanation of the rationality assumption. Friedman argues that the central assumption of economics—individual rationality—is an appropriate assumption with which to analyse the effect of legal rules on human behaviour. Although people do not always seem to act rationally, Friedman argues that no other criteria for judging the effect of legal rules is suitable. Analysis of legal rules cannot take into account irrationality, because by its very nature it implies people will act in unpredictable ways. No legal system can attempt to define legal rules in a way to counter every irrational action. Hence, Friedman argues, '[l]egal rules are to be judged by the structure of incentives they establish and the consequences of people altering their behaviour in response to those incentives.'

No outline of what economics has to do with law would be complete without an explanation of the concept of economic efficiency and the Coase theorem. Friedman also devotes attention to economic concepts of defining and enforcing property rights, the allocation and burden of risk, moral hazard, adverse selection, concerns with examination of outcomes and events *ex ante* or *ex poste*, strategic action and gaming—in essence all the core concepts of microeconomic analysis.

These analytical tools are then used in the second part of the book to examine the core components of the legal system: property law; intellectual property; contract law; tort law; criminal law; antitrust and diversions to discussions of marital law, sex laws and the sale of babies and body parts. Friedman also examines legal standards of proof, liability rules, why some damaging activities are torts, others crimes and others ignored. All in all a comprehensive examination of the core concepts in the legal system, and all described with the same set of analytical tools.

The final subject for the book is to question whether the common law is efficient, as Judge Richard Posner has suggested. On this point Friedman disagrees with Posner. He suggests that it is unlikely that judges understand economics enough to know that they cannot benefit favoured groups with general rules. Even if judges do know that they should try to maximise economic efficiency, it is by no means clear that judges are in a good position to apply economics in a way that maximises efficiency. As Friedman notes even good economists sometimes recommend inefficient policies.

As an empirical matter, Friedman suggests that the legal system is efficient only in a general sense. Laws defining torts and crimes, the application of strict liability to some actions and negligence to others all seem to be efficient, but when you look past the general pattern of legal rules it becomes obvious that laws can be inefficient. Examples cited are the refusal of courts to recognise agreements that waive rights to medical malpractice suits or product liability, or unwillingness to enforce contractual penalty clauses.

Friedman concedes that economic efficiency is not the only criteria for formulating and understanding legal rules, but it is probably the best set of tools available for assessing the predictive consequences of laws and whether they are likely to achieve the outcomes that are desired. What Friedman makes clear is that understanding laws from an economic framework raises the level of debate by making clear precisely what is being argued about. Economists will always be able to come up with creative economic arguments to rationalise why one legal rule is preferable to another, but by bringing economic analysis to bear at least we can all conceptualise why.

Overall, this book does an extremely effective job of trying to assist lawyers and economists to rationalise the system of legal rules by using standard economic tools. Although economic reasoning often generates counterintuitive predictions about what will happen as a result of any particular legal rule, Friedman does an excellent job of explaining why such counterintuitive results are in fact right.

For those who don't mind reading books online or who want to 'try before they buy', a copy of the book is available at http:/www.best.com/~ddfr/laws_order/.

Reviewed by Nathan Strong

Behavioral Law and Economics

Cass R. Sunstein (ed)
Cambridge University Press
480pp $US24.95 (pb)
ISBN 0521667437

Some time ago, a doyen of the Law and Economics movement was attending a symposium to discuss the achievements and future of his chosen field of inquiry. On that occasion, he also carried a particularly interesting message:

> I urge the young law students here to keep plugging away at Law and Economics—some day you will take over the world.

Years on, however, this claim seems as unlikely to be achieved as it no doubt was then.

In Australia at least, Law and Economics has not had the impact at law schools, in the profession or within the judiciary that many of its advocates would have hoped or predicted.

One of the main reasons for this apparent failure is because neoclassical economics has traditionally provided the models and framework for analysing the law. As there is a perception that many of the assumptions on which neoclassical economics is based are unrealistic, it follows that the policy prescriptions of Law and Economics must also be questionable.

Therefore, while ‘first-wave’ theorists using the standard neoclassical approach significantly raised the profile of Law and Economics, its real world impact has been minimal.

In response, a ‘second-wave’ of Law and Economics scholars emerged, to which the Behavioral School of Economics has added its voice.

The book *Behavioral Law and Economics* represents one of the first attempts to collate the ideas and empirical studies of behavioural economists who are using the tools of their trade to analyse the law.

The contributors represent a collection of academics who are not in the business of providing a single specific theory of human behaviour, but have, as Herbert Simon puts it, a commitment to empirical testing of neoclassical assumptions and to modifying economic theory and predictions on the basis of what is found in the testing process.

Over sixteen chapters, the editor Cass Sunstein and his fellow contributors also draw out the implications of their empirical testing to consider the ramifications for the legal system and public policy of behavioural departures from the neoclassical *homo economicus*.

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As a recurrent theme in the book, these departures are referred to as the three important ‘bounds’ on human behaviour. In other words, contrary to neoclassical economics, it is contended that people in fact display bounded rationality, bounded will-power and bounded self-interest.

Because all three bounds represent a significant way in which people will depart from the standard economic model, what follows is a questioning of how useful or accurate the tools of neoclassical economics are in generating sound predictions and prescriptions for the law.

Among the myriad of illustrations in the book, the assumption, for example, of people being ‘self-interested’, is tested.

In a one-off game participant A is given $100, which she may or may not choose to share with participant B. While A and B may not collude or bargain, B has the power to refuse any amount offered by A, in which case both A and B receive nothing. While standard economics predicts A should offer one cent and B should accept, studies have shown that persons in the position of A actually offer, on average, between $30 and $40, with there often being a 50-50 division.

Apparently, notions of fairness play an important role in rendering self-interested behaviour ‘bounded’. Not only were people in the position of player A willing to sacrifice their own material well-being, but people in the position of player B would, in a show of spite, often punish those who offered an insignificant amount of money by refusing the gift, ensuring neither participant received any money.

While this one example certainly does not provide the knockdown blow to the standard neoclassical model, time and time again over the sixteen chapters departures from the conventional predictions are demonstrated, and potential refutations purged.

Despite raising some serious concerns about neoclassical analysis of the law (which appears also to validate the legal profession’s concern about the attendant policy prescriptions), the book has some drawbacks and limitations.

Firstly, the authors recognise as a possible objection to their approach the fact that Behavioral Law and Economics does not have the advantages of simplicity and parsimony provided by the neoclassical framework. Instead of providing a unitary theory, this new perspective offers a more complicated and unruly picture of human behaviour, making predictions more difficult.

In this sense, Judge Posner's previous response to lawyers wishing to bring culture and human frailty to rational actors provides a salient warning: 'too many bells and whistles will stop the analytic engine in its tracks.'

The authors respond to such attacks by stating that simplicity and parsimony are only valuable to the extent that predictions from such a model of behaviour are correct—and it is clear from their analyses that they believe neoclassical economics lacks the power to make universally correct predictions.

The trade-off however, remains unanswered: if such behaviour, which departs from the standard model occurs relatively infrequently, should we abandon the benefits and theories of conventional analysis in favour of what appears to be a more unruly case-by-case approach?

A second possible criticism is further provided by Judge Posner, who commented in another context that 'too great a readiness to abandon the simple model in favour of alternative approaches to behaviour at the first sign of difficulty, carries the risk of overlooking avenues for economic answers.'

What Judge Posner appears to be saying is that critics of neoclassical economics too quickly point to anomalies with its assumptions and their own real world experiences, without stopping to consider whether the surprising facts can be reconciled with existing theories.

As Steven Landsburg once put it:

> Imagine a physicist, well versed in the laws of gravity, which he believes to be excellent approximations to the ultimate truth. One day he encounters his first helium-filled balloon, a blatant challenge to the laws he knows so well.
>
> Two courses are open to him, he can say 'well, the laws of gravity are usually true, but not always: here is one of those exceptions.' Or he can say 'let me see if there is another way to explain this strange phenomenon without abandoning the most basic principles of my science.'
>
> If he takes the latter course, and if he is sufficiently clever, he will eventually discover the properties of objects that are lighter than air and recognise that their behaviour is in perfect harmony with existing theories of gravity. In the process, he will not only learn about helium-filled balloons; he will also come to a deeper understanding of how gravity works.

While *Behavioral Law and Economics* might provide the basis for a new understanding of human behaviour which supplements the conventional analysis, the lesson is, if we are too quick to abandon our most successful theories in favour of sparkling new conjectures, we may soon be left with nothing at all.

Reviewed by Michael Rush

The Consolations of Philosophy

Alain de Botton
Hamish Hamilton
265 pp $40.00
ISBN 0679 4427 66

There's a great scene in Mel Brooks' *History of the World*, a comedy set in ancient Rome, in which Comicus (Brooks) is collecting his dole money. 'Occupation?' asks the woman behind the counter. 'Stand-up philosopher,' replies Comicus proudly. The woman looks puzzled and repeats her question. 'Stand-up philosopher,' Comicus insists. The woman now looks suspicious, then finally she twigs. 'Oh', she says, 'so you're a bullshit artist!'

There is good reason to think that Brooks' is the popular view of philosophers as a class. Philosophers don't seem to know how to talk clearly or bluntly. They use their great learning merely to talk nonsense and create confusion. It is strange that an activity once associated with clarifying some of life's big questions is nowadays seen as a means to obfuscate.

In *The Consolations of Philosophy*, Alain de Botton has done his best to undermine this stereotype. This book is written in plain English with the intent of explaining to lay readers how the great minds of the past dealt with such eternal human problems as unpopularity, poverty, frustration, inadequacy and love. And so de Botton joins that growing list of authors trying to answer the question which has puzzled so many publishers: is it possible to write a popular book about philosophy?

The answer is that the jury is still out. Sure, the book is popular. It's been a huge seller in the UK. But is it philosophy? Probably not. For one thing, it feels just a little too easy to be real philosophy. In the chapter on Nietzche, de Botton talks about the consolations for difficulty, concluding that 'Not everything which makes us feel better may be good for us. Not everything which hurts may be bad.' But there is no sense in this chapter, or indeed the book, that philosophy itself is difficult.

In trying to introduce readers to profound ideas in plain language and easily understandable concepts, de Botton seems to have diluted these ideas until they are little more than truisms. This brings us back to Mel Brooks' joke and why he was actually wrong about philosophers. The truth is, good philosophers don't speak in convoluted language just for the sake of it. They do it because it is genuinely impossible to express complex ideas fully without such language.

Philosophy has always struggled with the question of what it means to live a good life. In our age this struggle has been turned completely inside out from a concern about ethics to one about 'feelings'.

So if we can't call it philosophy, how do we describe the book? *The Consolations of Philosophy* has been called a new kind of self-help book, an attempt at reviving interest in the great philosophers by making them relevant to the problems we face in our everyday lives. Of course, it is easy to scoff at such a business, and indeed there has been no shortage of superior-sounding guffaws coming from academic critics of the book the world over.

But perhaps we should be a little more charitable. After all, it does no harm to an academic's love of Schopenhauer or Nietzche to have the words of these great minds read in a simplified way by others. And if nothing else, a self-help book inspired by Plato and Epicurus is surely a step up from the kind of snake oil usually inflicted on a gullible public desperate to find the secret of happiness.

But even if *The Consolations of Philosophy* at least avoids the worst cliches and platitudes of that most dire literary concoction—the self-help book—it reinforces the motivating spirit behind this entire industry; namely, the modern world's obsession with the self. Of course, philosophy has always struggled with the question of what it means to live the good life. In our age this struggle has been turned completely inside out from a concern about ethics to one about 'feelings'. De Botton's book merely allies the great philosophers to this corruption.

Thankfully, *The Consolations of Philosophy* has a number of saving graces. The first is that unlike other self-help books, some of which promise happiness in just eight minutes per day, it offers no easy solutions. In fact, some of de Botton's advice may make the reader squirm rather uncomfortably.

For those obsessed with the pursuit of wealth, for instance, de Botton's conclusion is that this pursuit hardly ever brings happiness and that it might be much better for us to concentrate on more fulfilling ambitions like making friends and gaining personal freedom. This begs the question: what kind of world would this be if we all took de Botton's advice and stopped trying hard to earn money?

De Botton also argues that we ought to follow Plato's lead and be more direct with one another. It seems to de Botton that there is far too high a priority placed on being liked and too little placed on telling the simple truth. Again one is forced to reflect on the consequences of such an idea if we were all to adopt it. Perhaps *The Consolations of Philosophy* is a more radical book than its safe and welcoming appearance would suggest?

The other saving grace is that *The Consolations of Philosophy* is a pleasure to read. De Botton writes with verve and confidence. Aside from the pithy prose, there is an abundance of pictures to contribute to the light and carefree feel of the book. These are often frivolous or self-consciously clever (e.g. after writing that he found inspiriation for his book while looking for a favoured brand of milk, we see a picture of a milk carton) but occasionally do a great service to the text. The picture of an utterly dejected Schopenhauer, hair mussed up like a mad scientist and head in hand, sits neatly above a quotation reading: 'We can regard our life as a uselessly disturbing episode in the blissful repose of nothingness.'

Blunt enough for you, Mel Brooks?

Reviewed by Sam Roggeveen