

Review of GAME THEORY AND THE SOCIAL CONTRACT: VOLUME 1, PLAYING FAIR by Ken Binmore

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Eric Rasmusen

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Indiana University School of Business, Rm. 456, 10th Street and Fee Lane, Bloomington, Indiana, 47405-1701. Office: (812) 855-9219. Fax: 812-855-3354. Internet: Erasmuse@indiana.edu.

2000: Eric Rasmusen, Professor of Business Economics and Public Policy and Sanjay Subhdar Faculty Fellow, Indiana University, Kelley School of Business, BU 456, 1309 E 10th Street, Bloomington, Indiana, 47405-1701. Office: (812) 855-9219. Fax: 812-855-3354. Erasmuse@indiana.edu. Php.indiana.edu/»erasmuse.

One of the most common objections to an economist's policy suggestions, whether in the classroom or in Washington, is \"That wouldn't be fair!\" The economist's usual response is that fairness is very important, but it is the business of philosophers, not economists | after which he continues giving advice as if philosophy had nothing to do with it.

Professor Binmore believes that economists should do have something to say to philosophers about fairness, and that game theory, in particular, is important if we are to understand what lies at the root of being human. This is not as far-fetched as it may sound. Escape from solipsism is a necessary first step for ethics, and game theory asks how people make decisions in light of their opinions about how other people will behave. This goes directly to the question of what we humans have in common with each other. From such a beginning we can move by small steps to the question, first, of who will buy the next round of drinks, and, eventually, to whether the rich should pay taxes to subsidize the poor.

This book, the first of two volumes, is devoted to developing the tools and components of an ethical theory and to clearing away the debris of past failures. Economists will be able to learn a good deal of philosophy, and philosophers will be able to learn a good deal of game theory. In this volume, Professor Binmore criticizes existing justifications of Kant's categorical imperative, Bentham's interpersonal comparison of utility, and Rawls's principle of maximizing the welfare of the least well-off. In the second volume, he will use tools from game theory to build them back up. The categorical imperative cannot be justified by the argument that \"If everybody behaved that way, where would we be?\", but reciprocity in repeated games may rescue something very like it. Interpersonal comparison of utility is disdained in conventional welfare economics, but evolutionary biology may show why people should be able to know each others' levels of happiness. Rawls's principle is hard to justify as the outcome of rational decisions in the original position, but perhaps it can be revived using the idea of multiple equilibria in games.

How is this all to be done? Binmore suggests that we start with a \"game

of life," in which we live our lives maximizing utility by our choice of behavior towards other people. Societies are organized around conventions, and we can think of these as equilibria of the game of life. Not love and duty, but reciprocity is the cement of society. A number of different conventions are possible equilibria, and some equilibria are preferable to others. Once a convention is established, we all obey it from self interest, as a Nash equilibrium. In deciding which equilibria are fair, we should look to an imaginary "game of morals," identical to the game of life except that at any point a player can call for a return behind the veil of ignorance to reshape everyone's position in society | knowing, however, that someone else might then call for another reshaping. A fair outcome is a "xed point in the game of morals, a set of conventions from which no one would appeal.

Formality and humor are nicely balanced in Playing Fair. The author knows that a witticism is even more necessary when the analysis is deep than when it is easy. The style is conversational, but it conceals much hard work on the book' structure, hard work evidenced by the use of special symbols to indicate the di±culty of each section and directions on which sections can be skipped. Not only does Binmore recognize that reading time is limited (being an economist), he even provides e±cient redundancy for those readers who skip sections. Other authors, take note.

One possible feature of an ideal society will not be found in this book: moral education (for the old-fashioned) or mechanism design (for the trendy). In The Republic, Plato moves from trying to explain why Glaucon should behave virtuously to how society could be redesigned to make future Glaucons behave virtuously. Binmore does not want to make this transition from analyzing equilibria of the existing game to changing the rules of the game. One of game theory's most profound lessons, however, is that a player can bene±t from new rules which reduce his payo®s on out-of-equilibrium paths | the pangs of conscience, for example. Professor Binmore acknowledges that people in the original position might choose a society in which education alters their preferences, but he rejects this option. Incorporating it into his framework is crucial, I think, unless economic education improves enough that we can produce an entire society of citizens who can understand Playing Fair

instead of having to take it on faith.

REVIEWER: Eric Rasmusen, Indiana University School of Business