

Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism. *By S. M. Amadae*. Chicago: University of Chicago Press, 2003. xii + 401 pp. Bibliography, notes, index. Cloth, \$59.00. ISBN 0-226-01653-6.

Reviewed by Stanley L. Engerman

In *Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism*, S. M. Amadae presents a most interesting examination of the evolution of rational choice theory within economics, political science, and philosophy, and she describes as well how its emergence fits into the intellectual politics of the cold war era. Amadae has read extensively in the relevant literature and has interviewed several of the major scholars whose work she covers. The depth of reading and analysis is most impressive, and the book will be of great interest to social scientists and to historians concerned with both the aspects of intellectual change internal to the discipline and the impact of the cold war era and related external events.

The book is strongest when discussing intellectual trends in the different disciplines in its attempt to detail the relation between theory and practical political ideology. There are separate chapters on Kenneth Arrow, James Buchanan and Gordon Tullock, and William Riker, as well as shorter discussions of the works of Mancur Olson, John Harsanyi, John Rawls, Amartya Sen, Anthony Downs, and Duncan Black, among others. A lurking influence on these scholars, according to the author, was the RAND Corporation, which presumably did a great deal not only to shape the political views of these scholars but also to influence the direction of government policy. RAND was interested in, among other things, providing a rationale for both political democracy and market capitalism as part of the country's cold war ideological conflict with Marxist Communism. In terms of domestic politics, the think tank also wanted "to retake the reins of authority to neutralize the unruly potential of mass democratic politics" (p. 31). RAND, in Amadae's words, played "its role as a quintessential American Cold War institution," having "Cold War motives that underlay much of the impetus propagating rational choice theory" (p. 11).

Guided by temporal precedence, as well as degree of influence, Amadae gives the most space to Kenneth Arrow's work in *Social Choice and Individual Values* (the first edition was published in 1951, although excerpts were circulated earlier). This work is generally considered to have reflected the interests of the RAND Corporation, and it became the principal defense of liberal capitalism. That some political defense of capitalism had been earlier advocated by Joseph Schumpeter, Friedrich Hayek, and Karl Popper, as part of a critique of collectivist systems, is well known, but Amadae argues that the trail laid down by Arrow was to have more intellectual influence and staying power.

Arrow's impact, and the role of RAND in producing it, poses several questions of interest to intellectual historians. If, as Amadae suggests, some scholars are thought to respond to the interests of their funding sources, why do we take seriously, as the author does, the work of the British communist economist, Maurice Dobb, or that of the economist who was to become president of Poland, Oskar Lange? An interesting question (as suggested by Henry Ford's Edsel problem) is whether it is more important to understand the origin of ideas or, rather, to discover why the ideas catch on in the mass market? And, since the author notes the various antidemocratic strains at the heart of rational choice, why didn't she attach the same degree of importance to them as she did to the other strains? The absence of any detailed discussion of a control group outside the United States—whether communist, British, or another European state—leaves unanswered some questions about the development of other possible sets of economic and political science beliefs. Thus, for example, it would seem that some scholars took a positive lesson from communism, with its technocratic methods and central planning, approaches that fit comfortably into the goals attributed to RAND.

Although it is perhaps unfair to ask for more people to be added to the discussion, a good understanding of the ideology of political economy in post-World War II America is not possible without the inclusion of three scholars, omitted from this study, who, while not part of the rational choice movement, were nevertheless important voices in the defense of liberal capitalism. One, perhaps of lesser impact, is John Kenneth Galbraith and his examination of "the affluent society" in his book of that title. Second is Milton Friedman, the scholar whom many regard as more influential than the public

choice contingent through his defense of capitalism within the economics discipline as well as in the public sphere. Friedman's writings after *Capitalism and Freedom* gained a major national and international audience. He and his followers shared with rational choice advocates a belief in methodological individualism and self-interested behavior, and they raised similar questions about the formation of personal utility functions. Rational choice theory and Friedman's views were often compatible, but they could appeal to different audiences. The important defense of liberal capitalism by the English economist John Maynard Keynes is not thoroughly discussed, although his impact, at least in the early postwar years, was substantial.

*Rationalizing Capitalist Democracy* is an excellent work of research and a useful, engaging presentation of ideas. It will repay reading by all economists, historians, and political scientists interested in the development of ideology. Its linking of political forces and intellectual history is both stimulating and thought provoking. Amadae concludes by expressing her preference for more "love, sympathy, respect" (p. 296), professing less concern with maximizing utility in both the analysis and the behavior of individuals. It might seem easier to change the analytics than the latter, but it is not clear that changing the assumptions of the analytics would lead to desired changes in individual behavior. As in many other cases, the beliefs of intellectuals may not be the same as those held by other members of society.

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