

jumps into the minutiae of scholarly debate with so few direct quotes from the texts that he seems to be writing to a few fellow scholars who already have the relevant passages memorized. If he wants to convince economists of anything at all, he is going to have to write a book that they would actually read. Furthermore, that book would have to deal with the way in which the discipline has, in the last century, become divorced from its broader philosophical context in general—a complex question in itself.

Other infelicities of language dog the work. Sometimes Yang seems to be playing with words in order to generate something he cannot prove. For instance, without any explanation of the phrase, he starts referring to Smith's "self-interest" as "human self-conscious desire" right away, as if to create the parallel between Smith and Hegel by importing Hegelian terminology that does not belong. Other vague phrases are repeated again and again, such as his claim that Smith's notion of self-interest has "many colors like a rainbow" or that Hegel "plays his own music that is permeated in his works" (Yang, 158 and 67, respectively). What could phrases like these possibly mean? If Yang excised nebulous language and all the repetitions of his broader points, he would have plenty of room to include real textual analysis in his debates with other scholars, and the book would probably be shorter. The book has some fascinating content, but Yang needs to clarify his own task, decide on an audience, and edit.

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Approximating Prudence: Aristotelian Practical Wisdom and Economic Models of Choice

Andrew M. Yuengert

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Aristotle's concept of prudence (*phronesis*), more meaningfully rendered as "practical wisdom," has recently been employed in the burgeoning literature on business ethics, particularly as a principle of choice between empirically or morally equivalent options. Even more numerous are the works that analyze and criticize economic methodology and economics as a discipline. They do this nearly always from the vantage point of metatheory by questioning the positive-normative dichotomy, explanatory power, or formal structure involved in the building and testing of economic theory. Rarely has anybody tried to apply a concept deeply rooted in moral philosophy, such as practical wisdom, not *extrinsically*, in the discourse about economics, but *intrinsically*, in the development of economic models of choice themselves. Such an endeavor requires a deeper understanding both of the philosophical (and even theological) issues of making decisions and of rational (and social) choice theory than is usually found in one person. Andrew Yuengert, professor of economics at Seaver College, Pepperdine University, has produced a remarkable book in which he not simply shows how practical wisdom can or should guide decisions but in which he integrates it into the axioms on which the microeconomic theory of choice

is founded. The book is about how to improve economic theory by increasing its realism and explanatory power while at the same time including considerations of virtue ethics. This program undoubtedly sets this work apart as an extraordinary piece of scholarship.

In the first and introductory chapter, Yuengert tentatively shows the mutual relevance of the two topics of practical wisdom and of models of choice. He then demonstrates that economics needs a “background account” as a framework and set of assumptions against which models of choice can be developed. He questions the optimization approach as a suitable candidate, and he will throughout the book reject Humean and Kantian philosophy as well as Austrian economics. Instead, Aristotle’s philosophy of action is presented as an appropriate background account. Its central term of practical wisdom is “the developed habit (virtue) by which a person identifies what is humanly good for him or her, judges the extent to which human goods are attainable in the particular context of an actual human life, and pursues those goods” (29). Aristotle’s understanding of this concept unifies intellect with animal nature, in addition to emotion with habit and cognitive limitations, to give a nonmaterialist account of how reason ought to inform action. Chapters 4 through 8 then show how various economic models capture or fail to capture aspects of practical wisdom in Aristotle’s philosophy: Objective functions are compared to an ordered chain of goods such as uncertainty to contingency, the economics of internal conflict and inconsistency in choice to virtue, and human capital to character. The economics of production, of human capital, and of learning by doing shows that knowledge embedded in practice exists even though formal models may not (yet) reflect this fact, and industrial organization and trade theory recognize tacit and uncodifiable knowledge. Chapter 7 emphasizes the synthetic character of practical wisdom for Aristotle, and chapter 8 identifies the location of practical wisdom in the character of acting persons. A concluding chapter then addresses the gaps that exist between the economic model of choice and the reality of human choosing. The Aristotelian account is presented as being powerful enough to enlarge the model world of economists and to enhance its realism. Practitioners of the economic craft should thereby become “mindful economists.” In two appendices, the author discusses, respectively, the purposes of realism in economics (contrary to Milton Friedmann’s rejection of any such goal) and naturalistic and social scientific background accounts.

This book contains new and fruitful ideas. Aristotle’s treatment of habit formation and of the learning of virtue as deriving from habits is compared to the famous model developed by George Stigler and Gary Becker of habit formation in the consumption of an addictive good within a multiperiod model (“De Gustibus Non Est Disputandum,” *American Economic Review* 67 [1977]). The book is full of such vignettes. Judgment and context are irreducibly central to understanding human action. It is also most welcome that the author argues analytically, and introduces normative content into economics in this way, rather than by ideological fiat. Thus it contains no macro-arguments on the virtues or vices of free markets.

In making his case that Aristotle’s concept of practical wisdom can serve as a useful background account for the economics of choice, Yuengert introduces a third party that continued the Aristotelian tradition yet gave it a Christian meaning: Saint Thomas Aquinas.

In the complex interaction between intellect and will, in the ordering of human goods, in his study of virtues, in his account of contingency and the singularity of action, and in relating practical wisdom to the moral virtues, Aquinas often went beyond Aristotle. *Summa Theologiae* can provide the foundation of a model of limited (or bounded) rationality even though the limits lie not simply in the existence or absence of a single-valued utility function but in the limited understanding; weakness of will; and, ultimately, the sinfulness of man.

A book so rich in argument, which also draws on a plethora of sources from economics and philosophy, by its nature offers avenues for discussion and critique. Most derive from omissions of topics that a reader might want to see addressed such as a clearer view of what “background accounts” are in the terms of the philosophy of science. In addition, other social sciences that study human choice at an individual or social level might be given more consideration. There is, after all, no area of reality that is exclusive to economics or that is even specific to it.

The book thus joins the growing literature that seeks to “put economics in its place,” not only in the sense of correcting it but also in that of “finding its place in a larger conversation about human action and well-being in society” (xii). Five chapters are devoted to curtailing economists’ vainglorious presumptions that everything can be modeled and that formal models can expand our understanding of ourselves. Other chapters demonstrate that economics can in fact capture certain phenomena that its detractors (including many Austrian economists) deny. On the one hand, modeling the *phronimos*, or person of practical wisdom, within the optimization model is not an easy task (sec. 8.2) and frequently requires philosophical support. On the other hand, the cognitive sciences that have influenced behavioral economics can increasingly provide evidence to adjudicate competing theories such as those of economic choice that because of their abstract formulation were traditionally underdetermined by data. In a sense, then, this book sets forth a rehabilitation of economic theorizing in a mathematical form while admitting its limitations.

While it makes interesting additions to rational choice theory itself, Yuengert’s book is also a contribution to the metatheory of economics. It draws the boundaries of economic theory as a useful intellectual pursuit while also extending them. Along the way, the author not only works analytically but also gives surprising advice; for example, the role of the economist as “teller of fables” (174). The trouble with an innovative and important book like this is that those who would most profit from reading it—unreflective mainstream practitioners of the economic profession—are least likely to notice it, whereas the technical complexity of the argument may exclude well-wishing bystanders who would cheer its intention. By applying practical wisdom, Andrew Yuengert has succeeded in giving us a book that develops its strong arguments by bringing philosophy and quite a bit of theology to the first group while making rigorous economic argument palatable to the second. This accomplishment truly required a *phronimos*.

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