the bans of other markets like those for 'human organs are characterised by a desire that the supply of these should flourish, but strictly on a donative, non-commercial basis' (p. 47). Thorne draws on a controversy about the use of markets for allocating human blood to provide a theoretical discussion of the conditions under which a ban may increase the supply of blood. The idea is that the market ban may induce demanders of the scarce good to 'exhort' suppliers to donate by means of moral suasion or intimidation.

Ernst Fehr and Simon Gächter (Chapter 7) draw on experimental evidence to explain that considerations of fairness and retaliation shape human behaviour to a large degree. They argue that these considerations contribute to the enforcement of contracts, provide important work motivations and improve performance, and that they can lead to wage rigidities and help to sustain economically important social norms.

Erik Schokkaert and Luc Van Ootegem (Chapter 3) study the determinants and motives for charitable donations in Flanders, Belgium. Of the 1013 respondents to the questionnaire, 84% claim to have given some amount in the previous year, but on average only a small amount (the equivalent of 0.2% of total private consumption). In contrast to what has been found in some studies in the United States, the authors find that there is no (tax) price effect on donations: Belgians do not seem to give more if donations are tax-deductible. The authors speculate that this may be due to weaker tax awareness in Belgium than in the United States. They also find that those with a stronger religious belief tend to donate more.

Three studies analyse determinants and motives of *inter vivos* transfers among family, relatives and friends. *Alessandro Cigno* and *Furio Rosati* (Chapter 12) report on a questionnaire study conducted among 8200 Italian households. They find that 16% of households give cash transfers to non-co-residents, which amounts to 4.4% of household income. Having received transfers in the past increases the probability and amount of giving, and the same holds for those rationed in the formal credit market. Lakshmi Raut and Lien Tran (Chapter 17) investigate intergenerational giving among Indonesian families (7200 households). They suggest that giving is best interpreted as reciprocal two-sided altruism, and that transfers from children to their parents should not be viewed as repayment of a loan for their education. Yannis Ioannides and Kamhon Kan (Chapter 8) investigate transfers of time and money in the United States. Of the households under investigation, 16% transferred money and 34% transferred time. They find that children do not tend to give transfers to parents as a *quid pro quo* for a larger share of parents' bequests. Children do not tend to give more time transfers to richer parents. Instead, transfers seem to be determined mainly by parents' needs. In conclusion, the authors suggest that altruism is the main motivation for intergenerational transfers.

While the present volume is rich in insights and for the most part provides a stimulating read, it would be an overstatement to claim that it is going to be landmark publication for years to come. This is because a *Handbook of Reciprocity, Giving and Altruism* by the editors of the present volume is scheduled to appear in 2004 (published by Elsevier). This handbook is likely to provide a more comprehensive coverage of the topic, but it is also likely to be even more expensive than the present volume.

University of St Gallen JEAN-ROBERT TYRAN

The Psychology of Economic Decisions, Volume I: *Rationality and Well-being*. Edited by ISABELLE BROCAS and JUAN D. CARRILLO. Oxford University Press, Oxford. 2003. 322 pp. £50.

A significant number of human behavioural patterns cannot be explained by standard economic theory. Therefore, theories of modern economics must go beyond assuming perfectly rational and self-interested individuals. For almost a decade, behavioural economists have enriched the concept of *Homo oeconomicus* in order to come closer to *Homo sapiens* by incorporating psychological insights into their models. The book under discussion here brings economists together with psychologists to foster the dialogue between the two disciplines that share the same interests but with slightly different focuses. However, such interdisciplinary discourses are still problematic, as the two disciplines often use different languages and methods to investigate the same phenomena.

The editors have achieved a great deal in stimulating the exchange of ideas. They have gathered together the most prominent and most original exponents of both disciplines. The papers are well written, and the book succeeds in using a language that gives the interested psychologist the opportunity to read economic papers and the interested economist the opportunity to read psychological papers.

The book is a compilation of 15 papers, grouped into five sections. The grouping, however, remains somewhat arbitrary, mainly because most of the papers cannot be reduced to one dimension. The first three articles in Part I analyse the question of why people sometimes make decisions that are not self-interested in the narrow sense, but rather self-defeating. People may make decisions that they regret later. Baumeister (Chapter 1), for example, stresses that an individual's lack of will power may explain such behaviour. Similar to a muscle, will power can be trained, but both have their limits. Will power will also get 'tired' or depleted when used, and for a while afterwards will not function effectively. Schooler *et al.* (Chapter 3) argue that even the pursuit of happiness as such can be self-defeating because, in concentrating too much on becoming happy, the goal will never be reached. People who try very hard to become happy can even end up being unhappier. However, sometimes people realize that they are in danger of undertaking self-defeating activities and engage in counter-strategies. One such strategy involves ignoring certain information. Brocas and Camillo (Chapter 5) argue in Part II (on the role of information for decisions and how information may influence self-image) that people may deliberately ignore information in an attempt to handle their self-control problems. Or they may intentionally recall biased information. Bénabou and Tirole (Chapter 8) in Part III (on how people recall and process information) argue in their very interesting article that the strategy to recall imperfectly may backfire. Self-confidence may help you in that you ignore bad news about yourself, but at the same time you do not trust good news. In their model, therefore, whether biased recall is helpful or hurtful depends on the situation.

Part IV then focuses on the utility concept. Kahneman (Chapter 10) argues that people may remember utility dramatically differently from what they actually experienced. Furthermore, Wilson *et al.* (Chapter 11) discuss how people mis-predict the durability of future happiness after an affective shock – whether it be positive or negative. The final part of the book is more of a potpourri on the topic of psychology and economics. The paper by Hertwig and Ortmann (Chapter 13) discusses the difference between economics and psychology in experimental practice by pointing out the issue of monetary incentives and deception as two separating factors. The other two chapters in this part deal with psychological aspects of finance and present an experiment on money illusion.

Overall, the book is a well compiled series of papers on topics bordering between psychology and economics, and shows that there is not much of a dividing line. Everyone who is interested in the exciting meeting point between economics and psychology and between economists and psychologists should read it. The book provides a good overview of the actual discussion on behavioural economics and social psychology. I highly recommend it to specialists in either field, who will find ideas not published in this form before; but it is also to be recommended to the interested reader, who wants to get a first impression of the fascinating topic of behavioural economics.

University of Zurich STEPHAN MEIER

Financial Markets, Money and the Real World. By PAUL DAVIDSON. Edward Elgar, Cheltenham. 2002. ix + 165 pp. £65.

'The golden age of economic development [1950–73, when the growth of output per capita was at its fastest] ended in 1973 with the abandonment of Keynes's policies by