

**Bromley, Daniel W. *Sufficient Reason: Volitional Pragmatism and the Meaning of Economic Institutions*. Princeton, NJ: Princeton University Press, 2006, 244 pp., \$35**

This book builds upon Bromley's 1989 *Economic Interests and Institutions* and the continuing need to clarify the nature of economic methodology, how economics is not a value-free science, and how one might use standard welfare economics to assess institutions and changes in same. It goes substantively beyond the earlier book by introducing a philosophical basis for, and the essential elements of, a new and alternative theory of institutions and institutional change. The book is intricate, and needs to be studied, not merely read; it proved challenging to characterize in this brief review. Perhaps the best way to demonstrate its content is with an application, using Bromley's *words and phrases*. Being my background is in natural resources (as is Bromley's, although he provides many other kinds of examples in the book), please bear with me as we work through my application to a case.

Situation: A dam on the river has created Lake L intended to provide both recreational services and water supply for City C. L is laden with herbicides and sediment likely coming from farms in the watershed W above L, which has *irritated* those in C. A welfare economics look at the issue would examine the efficiency in the current situation. *Nomological commitments* to both the welfare framework and the Cartesian search for one truth keep one centered on finding the maximum utility, which is the *cause/reason* for behavior, driving the pursuit of self-interest in achieving efficiency. Welfare economics and the deductive method, together, through *positivism* and *prescriptive consequentialism*, turn choice into a mechanism. Ironically, this science of choice leaves little choice, at all. The analysis is touted as having the capability of determining the right choice. Yet, the *incoherence and circularity* of the approach is ensured, in that current

prices are used to assess the efficiency of a new institution, albeit changes the prices on which the choice about the institution is based. Since the model is endowed with axioms, assumptions, applicability postulates, and with the theoretical variables bent to fit currently available data, there is only one answer. There is no room for *surprise*. So, it is generally concluded that the level of pollution in Lake L is efficient; if it was not, it would have already moved to an efficient state. The fact C has *no rights* is Pareto-irrelevant. Data need not even be collected to find out if is irrelevant. All one needs to do is apply the *utopian allegory* as described in Coase's original cattle rancher and farmer story, and supported by the *hyper-Coasians*, ignoring the institutional reality, e.g., that in the case of cattle and wheat, there are customs about how to handle the problems of cows in wheat fields, working rules on how farms and ranches keep them out, and there are fence laws in some places and herd laws in others. The approach is *absurd*.

In the welfare economics approach, those that are irritated are ignored, as they are just rent-seekers; we ignore the need to *reallocate economic opportunity*. Institutional change is instead presumed endogenous and always efficient, demonstrating the *tautological* nature of the approach. The only efficiency on which one can pronounce a *truth claim* is the one in the *status quo ante*: L stays polluted. Whoever has the right is efficient: *Some decision rule*.

In contrast, we need a decision rule based upon *sufficient reasons (purposeful explanations)*, not mere *causes (mechanical explanations)*. Beliefs, desires (values) and the practical necessity for a cleaner L give purpose. Conditions in L exist because the *settled beliefs* embedded in the institutions (*norms and conventions, working rules, property relations*) lead to outcomes that have value to the farmers, e.g. enjoying

powerful tractors pulling large tillage equipment (norm in the neighborhood); adding extra herbicide to increase base yields which helps ensure higher farm payments (working rule); long-standing *privilege* (property relation) to do much as they please on their own land. Farmer behaviors are based on *warranted beliefs* arising from experiences as well as the *epistemic premises* embedded in scientific disciplines, hopefully having a scientific research base, perhaps delivered at an earlier time through the extension educator on the way to the *settled beliefs* (warranted and valued) on which farmers now act. *Doubt* and *irritation* are building, however, because experiences in C and new beliefs coming out of scientific research suggest the need for new settled belief. C believes that farmers are causing the problem, albeit population growth in C is from the farmer's perspective what is causing the problem, "if they just hadn't moved in (or, don't move in) ..." Yet, C residents *doubt* they are causing the problem; they are just moving into the area around L, so how could they be the cause? Residents in C are *irritated* because they have *no rights* while the farmers become irritated because they want to keep their *privilege*. The politicians representing both W and C start paying attention to the irritation, which is their job, in a democratic market economy. Irritation drives the policy process to change the property relation toward *rights* for C and *duties* for those in W. The situation begs for, and results in, *volitional premises* (what must be done, a cleaner L) and *creative imaginings* (about means to achieve various futures for L), built upon new epistemic premises. The policy process reflects the evolution of a *prospective volition, deciding how the future may unfold*, demonstrating *human will in action* to make changes that ensure a better future. Fortunately, there is a democratic market economy, something hopefully even practitioners of welfare economics believe in, wherein irritated

citizens and their political representatives as well as the courts if need be, can freely do something about it. Doubt and irritation, not easily or necessarily expressed in prices, leading to interference in the *status quo ante* is a key part of a democracy. Along the way, we will also often be *surprised* which will generate interesting hypotheses that can be tested with contemporary data collected in the search for sufficient reasons, with efficiency only part of same. In such a case, we need to apply the methodology of *abduction* which is powered by surprises, shifting attention to finding reasons. It facilitates *open-mindedness* to the possibility of alternative truths, and is not pre-committed to axioms and assumptions. Action arising out of abduction leads to a cleaner L based on what *seems the better thing to do at this time*; the new efficiency is also better. *Market interference* ensures that a democratic *economy becomes*.

The policy (institutional change) process is *volitional pragmatism* in action: We doubt and become irritated; we are surprised; we search for what to believe about the future; we envision new futures and the means to achieve same; we propose hypotheses and test with new data; we evolve sufficient reasons for newly warranted beliefs, moving away from merely maximizing utility; and we settle on those new beliefs which have emerged with new values (not just prices) embedded in the new institutions, reflecting the human will in action. The *essence of living is incessant doing*, both individually and collectively. Institutional change goes on as collective action *restrains, liberates and expands... conditions... the expression of individual action* in the now tempered pursuit of self-interest. The individual (and/or the representative) participates in this *collective action* in the pursuit of a jointly shared other-interest... this is a democracy. We cannot know where it will end until we go through the policy process; there is no one *truth*

*claim*, one answer, that can be calculated, a priori. Truth evolves, and there is likely more than one. A new *constructed order* emerges, reflecting interests going beyond just the efficient expressions of self-interest in the *future in terms of the present* (discounting the future), seeing instead, the *present in terms of the future*, which reflects human *purpose*. When we are not pleased, we seek relief; new efficiency emerges. *That is all there is*.

This consciously constructed order is something quite different from Adam Smith's accidental providence and Hayek's spontaneous order, both emerging as if by magic in the invisible hand. In the welfare economics, benefit-cost approach to deciding (not really choosing, but calculating, without justifying with sufficient reasons) the fate of L, this magic is presumed at work in the background. So, in welfare economics, there is no look at the underlying institution, even though it is the *institutionalized personality* of the farmer (and others) that is causing the pollution. In Bromley's theory, we move beyond magic to consciously constructed order and new behavior.

This book provides the foundation for a substantively new theory of institutions and institutional change. The next step will be to bring in and integrate the latest scientific understandings coming out of behavioral economics, which posits the dual nature of human nature, focused as it is on the joint pursuit of an egoistic-hedonistic based self-interest and an empathetic-altruistic based other (shared)-interest. This will explain why most if not all individuals operating in the policy process are *volitional pragmatists* who act on *sufficient reasons* for their economic actions. I highly recommend the book, and invite your attention to further building this new theory.

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