

of Smith's treatment of value, invention, the division of labour, and especially of Smith's belief that an act of savings would be translated into an act of investment. Lauderdale argued convincingly that investment must be related to consumption, where this in turn must be related to the distribution of income. These points were also made by Martin Paglin in his edition of the *Inquiry* (Kelley, New York, 1962) although Paglin gave much more emphasis to the role of fiscal policy and its effect on aggregate demand. It is interesting to note Paglin's comment that 'Lauderdale's ideas on saving, taxation, and debt policy were refreshingly original in 1804. But by 1819, when the second edition appeared these ideas no longer had the quality of bold originality' (op. cit., p. ix). The notes are of value as a contribution to the (growing) critical literature on Smith. If they are helpful to the student of Smith's economics, they will also be invaluable for the light they throw upon the development of Lauderdale's ideas. It is to be hoped that they will encourage renewed interest in a distinguished contributor to what A. I. Macfie described as the 'Scottish tradition'. It is worth noting that Macfie included Smith's critics *within* the fold. A second example is provided by John Rae's *Statement of Some New Principles on the Subject of Political Economy* (1834; Kelley, New York, 1964).

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C. Mathematical and quantitative methods

VEGA-REDONDO (FERNANDO). *Evolution, Games, and Economic Behaviour*. Oxford: Oxford University Press, 1996. Pp. xi + 209. £35.00 hardback, £16.99 paperback. ISBN 0 19 877473 7, 0 19 877472 9.

Many articles on evolutionary game theory have appeared in the last 8 years or so. Evolutionary game theory is probably one of the most promising routes to the modelling of boundedly rational behaviour, learning, and changes in conventions and norms. This book is one of the first overviews of this recent area of research. It is aimed at graduate students and it can easily be used as a textbook for graduate courses. Moreover, it provides a good introduction and overview for economic theorists who want to familiarise themselves with the area. Apart from an introduction and an appendix covering the more technical material, the book contains 5 chapters. Chapter 2 provides an analysis of static concepts in evolutionary theory among which the concept of evolutionary stable strategies. Chapter 3 extends the analysis to dynamic processes, in particular replicator dynamics. Social interpretations of the biological replicator dynamics literature are at the core of chapter 4. Chapter 5 introduces the idea of stochastic evolution according to which the dynamic process is characterised by some noise due to mutants (new individuals entering a population). One of the implications of allowing for noise is that in many contexts the population will converge in the long run to a unique equilibrium no matter what the initial configuration is. This is in contrast to the dependence on initial conditions that characterises deterministic models. Finally, chapter 6 tries to make a first step in bridging the gap between fully rational models and the early evolutionary models in which the assumption of perfectly myopic behaviour is used. Apart from providing an overview of the theoretical models the author tries to give a number of economic examples to motivate the theoretical analysis.

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D. Microeconomics

MACHO-STADLER (INES) and PEREZ-CASTRILLO (J. DAVID). *An Introduction to the Economics of Information: Incentives and Contracts* – Translated by Richard Watt. Oxford: Oxford University Press, 1997. Pp. xiv + 277. ISBN 0 19 877467 2, 0 19 877466 4.

The economics of information is an area which developed very rapidly in recent years. This introduction concentrates on three topics: moral hazard, adverse selection, and signalling. It starts with a benchmark model of symmetric information which serves as a reference model for the analyses of the cases of asymmetric information discussed later on. The book is clearly written and very well organised with many graphs and examples which help to take the considerable mathematical hurdles the subject provides for the beginner. Each of the three main chapters has a general introduction followed by a presentation of a model and a comparison with the benchmark. Then follow some general comments facilitating the classification and interpretation of the results. In the supplements to each chapter, applications to various fields in economics are presented as well as exercises with the solutions given at the end of the book. A final section deals with advanced themes going beyond a mere introduction to the subject. The aim here is not to present new models but to be a guide for the interested reader. Although written for first-year postgraduate students of economics or business and for advanced undergraduates with its wide range of applications discussed from such areas as finance, regulation, insurance, technology transfer, labour economics, and health economics, this book provides also an excellent survey for the general reader interested in the latest developments in this field.

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