At least two useful points are bought out here. First, the speed of adaptation depends on the phenomenon under consideration. Although evidence remains sketchy, individuals seem to adapt to crime and to corruption, whereas they do not adapt to freedom. Further, individuals do not adapt to uncertainty (which is one reason why crises reduce well-being so much, inter alia). The second is that it can be rather difficult to be a utilitarian in these circumstances. Are unhappy rich people with high expectations more deserving than the poor who have learnt to expect little? If individuals adapt to the "bad equilibrium" of high corruption, does that mean that we don't need to worry about it any more? Various incarnations of Sen's happy slaves wander freely throughout this chapter.

The last chapter briefly refers to Gross National Happiness versus GNP as a measure of societal progress, starting out from the established criticism that some economic activity does not lead to the kind of society in which we would want to live. The alternatives discussed are (1) the HDI, (2) objective list accounts, (3) preference satisfaction accounts, and (4) well-being scores. Various measures of the latter are available, but do not all pull in the same direction, as chapter 2 noted. The pros and cons of each, as well as the numerous lacunae in our knowledge in terms of what a society "should" want, are reviewed here.

With respect to the terms of reference of the Brookings' Focus series, it could be argued that this book has not been an unqualified success. This surely bears witness to the difficulty of writing a "happiness book" that treads the uneasy middle ground between academic treatise and doubtful pseudo-scientific self-help manual. There is no guarantee that the man in the Clapham omnibus will be able to read this book. Despite its medium-brow remit, there is some rather techie language and a certain amount of prior knowledge of the general area would seem to be presumed. On the other hand, academics will be able to appeal to it as a one-stop-shop of Graham's activity over the past ten or so years.

For students who wonder just what it is that "Happiness Economists" (a terrible term, but it is surely too late to change it now) are up to, and whether it is of any use, this is however arguably quite a useful piece of work. The tone is often quite frank: research results frequently do not walk in step with each other, and we really don't know what is going on. That is indeed what a lot of research is like. The sense of a patchy cover of knowledge, continually evolving, sometimes accreting into what looks like a regularity, sometimes collapsing under the weight of poor data, bad analysis, and contradictory results, is a truthful rendition of how I see the field. In Happiness Economics, the answers are not all cut and dried: what works in one country may well not do so in another, the discussion of causality is often frighteningly absent, and our interaction with Psychology sometimes feels tectonic: long periods of misleading quiet followed by serious clashes. I would be unhappy (so to speak) were the representation of research made in this book to dissuade interested students from contributing to the area: it is precisely the potential for discovery that makes it so attractive. In the end, it may well be in this respect that Carol Graham's somewhat fragmented, but undoubtedly passionate, book works the best.

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J Labor and Demographic Economics

Migration and the Welfare State: Political-Economy Policy Formation. By Assaf Razin, Efraim Sadka, and Benjarong Suwankiri. Cambridge and London: MIT Press, 2011. Pp. xii, 168. $32.00. ISBN 978–0–262–01610–0.
JEL 2011–1472

Restrictions on the international mobility of labor are arguably the single largest policy distortion that besets the international economy. A variety of studies suggest that even a small reduction in barriers to migration will result in large welfare benefits to the global economy (Walmsley and Winters 2003; Pritchett 2006). Nevertheless, despite the huge gains from easing restrictions to international labor mobility, no forum of multilateral negotiations addresses this issue. It is simply not on the negotiating table. Indeed, governments point toward the prospective backlash against immigration as being responsible. However, until very recently there has been very little analytical examination of the political economy of migration policy. Given this lacuna in this literature, this book is a welcome contribution.

The book focuses on a central tension faced by countries that receive migrants from lower wage countries. Such countries are typically high productivity and capital rich, and the resulting high wages attract both skilled and unskilled migrants. Reinforcing this migration is the nature of the host country's welfare state: low-skilled migrants find a generous welfare state particularly attractive. However, such a generous welfare state may deter skilled migration since it is likely to be accompanied by higher redistributive taxes. Indeed, this central tension is first laid out in chapter 2 of the book. Of course, the composition of migrants may affect the political attitudes toward the nature of the welfare state. If voters view migrations to be primarily low skilled and migrants as heavily dependent on the welfare state, they may prefer a lower tax, less generous welfare state. Accordingly, in chapter 3 the book explores the implications on the tax rate and the size of the welfare state, if the composition of migrants can be taken as given. Chapter 4 integrates the analytical framework of the preceding chapters and describes the political equilibrium where it solves jointly for the size of the welfare state and the size and skill composition of migrants.

There are various aspects to a country's welfare system. Part 2 of the book analytically explores the impact of migration on a specific aspect of the welfare state, namely social security and the old age crisis. Developed countries face a conjoint demographic and fiscal crisis. Declining population growth rates in much of the OECD (especially parts of Europe) give rise to the potential for increased intergenerational conflict. This may be because the young have to pay a higher tax rate in order to support social security and pension payments for an aging population. Chapter 4 sets up the dynamic overlapping generations framework that is used in the subsequent chapters. The remainder of this section of the book (i.e., chapters 5, 6, and 7) analytically explores the dynamic political equilibrium to see how both inter- and intra-generational conflict are resolved.

Part 3 of the book relaxes some of the key assumptions that drive the analytics in the preceding sections. Accordingly, while in the preceding parts of the book the source country was "passive" and merely served as a reservoir for the supply of migrants, this assumption is relaxed in chapter 9. The chapter analyzes the consequences of allowing the source country to engage in fiscal competition. Finally, in chapter 10, host countries are allowed to compete with one another for migrants from a source country. The analytics provide some support for the view that competition for migrants may not lead to a race to the bottom. Indeed, we may have a scenario where greater tax competition results in higher taxes.

There is much to like in aspects of this slim book. Books in economics that use a theoretical framework to construct and elaborate on an issue are typically awkwardly constructed and hard to read. In contrast, the structure of this book works well. An appealing aspect of the framework is that each chapter in the book constructs an analytical framework in a step-by-step manner, with each chapter building on the machinery constructed in the preceding chapters—especially in parts 1 and 3. Equipped with the analytical framework, I found it easier to get a handle on the structure of the analytical argument being made. I found part 2 of the book more of a slog. There is more new machinery introduced in this section (with additional assumptions)—that makes the book more suitable to a text. I find it difficult to think that anyone will casually "dip" into this section of the book. Here the arguments (while carefully made) feel like a loose adaptation of material that is perhaps better confined to journal articles. Nevertheless, I should point out that an appealing aspect of the book is that it tries very hard to map the theory to empirical studies. In particular, the book shows that the framework is particularly well suited to understanding the dilemmas facing countries within the European Union.

Accordingly, the book is a useful introduction to the debate on migration policy and the welfare state. Any course in the economics of migration can benefit from reading parts of the book. However, given the paucity of work in the area, the book could have benefited from a broader tackling of some of the other aspects of the political resistance to immigration. For instance, recent work by Card, Dustmann, and Preston (2009) suggests that cultural factors are a much more important factor driving political attitudes toward immigration than economic factors (see also Jain, Majumdar, and Mukand 2011). Explicitly incorporating cultural factors would have made the work much more comprehensive and also thrown light on (for example) the reluctance of the European Union to expand and allow migration from Turkey.

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The Transformation of the American Pension System: Was It Beneficial for Workers? By Edward N. Wolff. Kalamazoo, Mich.: W. E. Upjohn Institute for Employment Research, 2011. Pp. xv, 333. $40.00, cloth; $20.00, paper. ISBN 978–0–88099–380–7, cloth; 978–0–88099–379–1, pbk. *JEL 2012–0164*

In the American pension system, benefits once provided primarily by defined benefit (DB) plans are now provided primarily by defined contribution (DC) plans. In this book, Edward Wolff addresses five issues relating to this change: "First, how has the transformation affected the pension holdings of workers? Second, how has it impacted both the pension wealth and the total retirement wealth (the sum of pension and social security wealth) of the average median household? Third, which demographic and income groups in particular gained in terms of pension and total retirement wealth, and which lost? Fourth, has the transformation of the pension system led to greater overall inequality in pension wealth, in total retirement wealth, and augmented wealth (the sum of net worth and retirement wealth)? Fifth, what implications does the transformation have for the adequacy of retirement income, as measured by the expected level of retirement income, its replacement rate of preretirement income, and the expected poverty rate of future retirees?" (1). The book also examines how these issues varied in the 1980s, the 1990s, and particularly the 2000s.

The book provides a great deal of descriptive detail on the changes in coverage, income, and wealth associated with the changes in the pension system. It presents descriptive information as to income and wealth disaggregated across various demographic and economic groups. It provides statistics separately for different racial groups, for men and women, for married couples and single persons, for different age groups, and for different income and educational groups. Most of the analysis is done at the household level, but some analysis is done at the individual level.

The book primarily is about income and wealth, and only secondarily about pension policy. Its approach aggregates across different types of pension plans that would generally be disaggregated in pension policy analysis. For example, public and private sector plans are generally aggregated in the book, as are Individual Retirement Accounts (IRAs) and 401(k) plans.

A notable finding is that the 2000s were a lost decade for growth in DC pension wealth, with no net gain for the average participant. This was largely due to the weak performance of the stock market over that decade. That result compares to the findings for the 1980s and 1990s, where the growth in DC pension wealth more than compensated for the decline in DB pension wealth. Thus, the book's answer to whether the transformation of the U.S. pension system was beneficial for workers, judged based on wealth holdings of workers, depends in part on the state of the stock market. In addition, DC pension wealth is much more unequally distributed than is DB pension wealth, causing an increase in the inequality in pension wealth.

During the decade of the 2000s, male pension coverage fell by 6.4 percentage points, while female coverage increased by 1.7 percentage points, the net result being an overall decline in the coverage rate. In 2007, 56 percent of male