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## I Health, Education, and Welfare

*The Pursuit of Happiness: An Economy of Well-Being*. By Carol Graham. Brookings Focus Books. Washington, D.C.: Brookings Institution Press, 2011. Pp. vii, 164. \$24.95. ISBN 978-0-8157-2127-7. JEL 2011-1462

Brookings' Focus book series aims to present policy issues of interest to a broad audience. This short book by Carol Graham contributes to this series, and presents a number of topics in the burgeoning economics of well-being.

The book is divided into five chapters, each of which has extensive endnotes. The first previews a number of the issues that will appear later in the

book, and makes the central point that happiness data can add to the understanding of individual well-being provided by the analysis of income and revealed preferences.

Chapter 2 attempts to set out what we mean by happiness. A broad distinction is made between a fulfilling life (with agency or capabilities to be able to change one's life) and contentment. These are called the Aristotelian and Benthamite views of happiness, although the academic literature often refers to Eudaimonic and Hedonic well-being, respectively. Most surveys ask some kind of hedonic question, on happiness, satisfaction, or Cantril's "best possible life" (ladder) question. An open question in the empirical literature is the degree to which meaning and capability, on the one hand, and happiness, on the other, are correlated. J. S. Mill's happy pig suggests that these are not synonyms; but in practice they could be quite closely matched. It is however possible that *acquiring* agency may lead to lower happiness, at least in the short run. As such, potentially valuable long-run policies may be initially disruptive, and individuals certainly dislike uncertainty. Equally, too much happiness may reduce any incentive for action. Overall, there are a number of intriguing points here, although the development is not always particularly easy to follow.

Carol Graham is on surer ground in chapter 3, on Happiness around the World, which draws on some parts of her recent Oxford University Press book of the same name. Much research has concerned developed countries; but most people don't live in developed countries. Cross-country empirical analysis reveals that some of the happiness correlates are very similar across countries . . . but not all of them. In particular, the effect of labor-force status suggests that there may be more choice in this respect in developed relative to developing countries. Overall, this is a useful potted history of what happens when we ask identical well-being questions to individuals in very disparate countries.

Chapter 4 deals with adaptation and social comparisons. If either pertain, then it is not enough to know how much  $X$  an individual has to evaluate their well-being; we also need to know how much  $X$  others in the reference group have (social comparisons), or how much  $X$  the individual used to have in the past (adaptation).

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.

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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

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