

with it at this point. Here his emphasis is more on “parenting” and what parents hope for their children.

Concluding Remarks:

This volume is an applied theoretical work, but non- technical (without graphs) and evidence driven, rather than a number crunching empirical work. It is a potent medicine disguised as jelly beans. The simplicity of Gans’ writing style, along with his liberal use of humor, makes it appealing to a variety of readers. It is a testament to the viewing of economics as a social and behavioral science. It can be enjoyed by not only economists, but also economic students as either a complement to or a substitute for a traditional text book .This of course would depend on the course level and teaching style. The book can also be viewed as a parenting book alone with no *explicit* concern for economics. I view it as valuable resource both as an economist and a parent.

SUSANNE RASSOULI-CURRIER

*University of Central Oklahoma*

***Happiness: A Revolution in Economics.*** FREY, BRUNO S. Cambridge, Massachusetts: The MIT Press, 2008. Pp. xiii, 240. \$ 35.00.

Bruno S. Frey was the recipient of the “Distinguished CES Fellow” award, presented by the Center for Economic Studies (CES) Council in 2008. In recognition of his outstanding contributions to economic research, Dr. Frey was invited to give the Munich Lectures in Economics, which are held at the Center for Economic Studies at the University of Munich. This book, Happiness: A Revolution in Economics, is a result of his lectures.

As part of an economics series, Dr. Frey updates his audience on how economists have incorporated the concept of happiness into the economics literature and research. We all know what happiness is and how much it means to us. But, the concept of happiness is a nebulous, intangible perception that is difficult to define, measure, and evaluate. In the *Preface* of the book, the author reminds us that the research concerning economics of happiness has gone through various

developmental stages in three areas: measurement, new insights, and policy consequences.

Happiness can be measured in economics in terms of “utility”. The application of utility theory to the concept of happiness allows economic researchers to subjectively measure and analyze well-being. Since the notion that utility could be quantified was developed, dating back to the 1930s, analysts have been making continual strides in measuring utility and applying quantitative methodologies to happiness analyses. This is a major change from the initial views as expressed by Sir John Hicks and Lord Lionel Robbins, who maintained the view that utility cannot and need not be measured.

By applying quantitative methods in research on happiness, new insights have been offered. It has become evident that happiness is a complex process. In particular, it is not clear where or how happiness originates. In some cases, happiness results from the attainment of an outcome. In other situations, happiness results from the process of attempting to attain an outcome. Recent research on the economics of happiness addresses these issues. The findings do not provide us with answers; rather, they provoke further questions and generate insight.

Research on the economics of happiness has also lead to numerous policy suggestions, many of which deviate from those found in standard economics. Some policy prescriptions focus on the individual and are based in microeconomics. Others consider aggregate interactions and find their foundation within macroeconomics.

The book is divided into three sections. Part I discusses the major developments in economic happiness research. These chapters focus on economic aspects of living in a social setting that are coupled with happiness. For example, familiar elements include income, unemployment, inflation, and the distribution of income. The questions that have been addressed are how these circumstances affect human well-being. Over time, we strive for economic growth. As income increases, we are happier, correct? Not necessarily! Along with an increase in income and technological development, we also witness an increase in stress-related conditions, both physical and psychological.

We value our leisure-time: Time that is not spent at the workplace or doing household chores. Individuals who are unemployed are not spending time at the workplace (by definition) and the household chores do not change. So an unemployed person should experience an increase in happiness, correct? Once again, no necessarily! Unemployment is

associated with a decrease in well-being, even though less time is spent working (workplace or household). These and other paradoxes are addressed in the chapters that comprise Part I.

Part II extends the discussion on the economics of happiness by bringing less obvious elements of society into consideration, such as democracy, federalism, self-employment, voluntary work, and one of the greatest pastimes of modern society, watching television. This section also includes a discussion on the relationship between social well-being and public goods, an analysis that necessitates an alternative willingness-to-pay approach that differs from a traditional market exchange of private goods with well established property rights

Policy consequences of happiness research are found in the last segment of the book. Dr. Frey connects economics of policies with other social sciences, such as political science and psychology. It is well known that gross domestic product (GDP) and gross national product (GNP) are designed to measure economic activity, not economic well-being of a society. An alternative could be a “National Happiness Indicator”, designed to measure a society’s economic well-being. The author reviews the definition and benefits of such a measure but also cautions against impulsively adopting a goal of maximizing a National Happiness Indicator, from both the perspectives of happiness research and that of political economy. Consistent with the rest of the book, Dr. Frey presents interesting and informative discussions on policy issues surrounding happiness research. He provides a balanced presentation of pros and cons, differing views of various schools of economic thought, and leaves readers to draw their own conclusions and substantiate their own views.

Bruno Frey includes references and descriptions of many studies on happiness but the book is not a review of the literature. Other studies, findings, and viewpoints are incorporated into the text and woven into the discussion. However, for the reader’s convenience, there is an extensive list of references on happiness publications and related topics, as well as a detailed index of topics and their corresponding page locations within this book. The topics focus on the economics of happiness but the book goes beyond economics. It is interdisciplinary and would be of interest to other fields of social science: anthropology, sociology, political science, psychology, history, and philosophy.

This book is a well-organized discussion of happiness and how economists have viewed this facet of human existence over time. Although the book was written for economists, there are no theoretical

models, mathematical analyses, or economic terminology that require an advanced degree in economics to understand. Complex theories (for example, Arrow's Impossibility Theorem, Goodhart's Law, and Lucas' Critique) are included throughout the discussion with non-technical jargon. This book is written for a reader who has an interest in happiness and a curiosity for how economists have approached the subject in their thoughts and research.

DR. DELLA LEE SUE

*Marist College*

***How Markets Fail: The Logic of Economic Calamities.*** CASSIDY, JOHN. New York, N.Y.: Farrar, Straus and Giroux, 2009. Pp. 390. \$28.00.

John Cassidy is a journalist and author. As a university student, he studied economics at Oxford. Cassidy is a frequent contributor to *The New Yorker*, often writing on economics and business. *How Markets Fail* is an impressive discussion of both economics and business activity. The book is divided into three distinct parts: (1) a discussion of conventional market economics; (2) a discussion of a broader and more realistic economics that acknowledges market failure; and (3) a discussion of the real estate and credit bubbles and the Financial Crisis of 2007-2009.

The first section of the book discusses the conventional economic theory that is based on the perfect competition model. In this model, many buyers and many sellers, each small in size, trade a standardized product. Each buyer and each seller possesses perfect knowledge of market prices, and all resources can easily enter or exit the market. Within this model both resources and products are allocated efficiently.

In perfect competition, prices are determined in the market by supply and demand. These prices serve as signals to producers and consumers and coordinate production and consumption. Arguing from first principles, in other words the assumptions of the perfect competition model, the ideal way of organizing an economy is through private enterprise and competitive markets.

In section two Cassidy discusses a more realistic approach to the study of markets, and he calls this approach "reality-based economics". "Reality-based economics" encompasses a number of developments in