making open-market purchases of government securities.[1] A better historical example of bailouts would have been the loans and purchases of bank securities by the RFC in the early 1930s.

This reviewer was startled by the authors' claim that "most Americans engage in some law breaking on a daily basis," so, "[w]e should not expect business people and financiers to behave any differently" (p. 72). If true, we hardly need elegant theories from economics or political science to explain why we have crises and why we don't have meaningful financial reforms.

References

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I Health, Education, and Welfare

The Political Economy of Human Happiness: How Voters' Choices Determine the Quality of Life. By Benjamin Radcliff. Cambridge and New York: Cambridge University Press, 2013. Pp. viii, 205. $29.99, paper. ISBN 978–1–107–03084–8, cloth; 978–1–107–64442–7, pbk.
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Ben Radcliff's book is a deep and thought-provoking piece of work with a strong sense of history, if not always an easy read. The book's first objective is to demonstrate the revolutionary nature of Jefferson's proposal—most famously phrased in the Declaration of Independence—that all citizens have the right to the pursuit of happiness. The second objective of the book is to marshal the metrics from the new "science" of well-being (a more encompassing concept than happiness, which also includes it) to assess how well modern polities are doing at giving their citizens the opportunity to fulfill that right. These metrics are increasingly being used by economists and other social scientists to address a range of questions.

Radcliff is most successful at the first objective, which is well summarized in this quote from his opening chapter: "To suggest that ordinary people might realistically hope for a life they found satisfying, whole, and meaningful—and that this hope might form part of the foundation for the political order of society—is what makes Jefferson's words ring down the centuries with such force." (p. 11) The chapter eloquently describes the origins of the debate over the appropriate role of government, and the role of Jefferson (and Paine) in identifying a strong role for the state in protecting the right of citizens to pursue happiness, seeking the "greatest good for the greatest number." As such, it is a well-written history of the origins of modern social democracy. That chapter, in turn, lays the groundwork for the discussion of what the new science of well-being can contribute to public policy more generally.

In the chapters that follow, Radcliff reviews the debates over efficient markets versus strong states (although some readers may not see it as a zero-sum game, as Radcliff does). Some of that is known territory and could be briefer; some is important to laying the groundwork for what he goes on to test empirically. He then reviews the study of happiness and well-being. He does a particularly good job of explaining how the innate components of well-being (what psychologists call the "set point"), and those that are influenced by the external environment and can be influenced by policy and the environment, interact to determine total well-being. Like any reviewer, I have some quibbles. Among others, Radcliff omits a discussion of causality issues in his description of the standard correlates of well-being, such as marriage and health (happier people are more likely to marry each other, and happier people are also healthier). Beyond being quibbles, these same issues could affect Radcliff's subsequent analysis, in which he explores the variance in the allocation of welfare expenditures across states or countries and their correlation with happiness. These issues aside, he provides a clear explanation of the way in which the metrics can be utilized for empirical, cross-country assessments of the quality of citizens' lives.

[1] See Sylla, Wright, and Cowen (2009). Hamilton used the Bank of New York because New York City was the epicenter of the 1792 crisis, and the New York branch of the newly established central bank, the Bank of the United States, had not yet opened when the crisis broke out in March, 1792.

In chapters five through seven, Radcliff marshals evidence—primarily from his own research—of how happiness levels vary across countries depending on the size of the state and the status of organized labor. He supplements the cross-country evidence with an analysis across U.S. states, based on the variance in their commitment to welfare spending, degree of economic regulation, and partisan composition. He concludes that liberal public policies and liberal governments, as well as stronger labor market regulations, are better for happiness across the board.

Radcliff's strongly stated priors are that the unfettered market results in anomie, while the welfare state promotes agency. Yet he fails to note that, for the many examples supporting his priors, there are equal numbers of the opposite, many of them in the developing world and in the former transition economies. A related problem is selection bias in his empirical work. His sample consists of prosperous OECD countries, none of which provide examples of inefficient public sectors acting as a drain on market activity and precluding effective allocation of public expenditures. A large number of countries around the world that are not in his sample, I am afraid, throw a monkey wrench into Radcliff's elegant, if not completely accurate, arguments.

Radcliff covers his bases well in terms of statistics and robustness checks within his sample of countries and chosen variables. Yet for almost every variable that he has chosen to represent the presence of a strong state, there is likely an alternative metric that could result in different results, given the lack of precision inherent in generating aggregate variables of this kind. Related to this, a central variable in his analysis is government expenditure. Of course, the likelihood that government expenditures are filtered through reasonable institutions and reach their intended destination is much higher in his limited OECD sample than it would be in a broader sample of countries worldwide. Finally, while Radcliff tries—rather heroically—to get around the issue of aggregate level unobservables with his focus on U.S. states, one could easily argue that the difference across states such as Texas and Vermont is greater than that across OECD countries, such as Denmark and Germany. In short, a bit more admission of the problems associated with comparing the correlates of aggregated variables on individual happiness is warranted. Indeed, addressing this issue head on might make it more likely that skeptics of his strong priors would take his results seriously.

Regardless of these critiques, the book provides an eloquent demonstration of how a fundamental departure in the objectives of government—aiming for meaningful and happy lives for the greatest number of citizens—underlies the origins of public policy in the United States and in modern social democracies more generally. It also shows the new tools that well-being metrics provide to assess how well different governments are doing in meeting that objective. The book is a worthwhile read for scholars and students of economics, political science, philosophy, and public policy.

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J Labor and Demographic Economics

Immigration and Labor Market Mobility in Israel, 1990 to 2009. By Sarit Cohen Goldner, Zvi Eckstein, and Yoram Weiss. Cambridge and London: MIT Press, 2012. Pp. xiv, 306. $40.00. ISBN 978–0–262–01767–1.

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The fall of the Soviet Union was a momentous historical event with particularly dramatic implications for the State of Israel. The Jews of the Soviet Union were suddenly confronted with an unexpected political instability that could lead to a resurgent anti-Semitism. The economic upheaval that ensued also shattered their once firmly held job security. As soon as Mikhail Gorbachev lifted restrictions on emigration in late 1989, hundreds of thousands of Jews began to flee the Soviet Union for the hope of a brighter future in Israel.

Within the space of only two years, 333,000 Soviet immigrants became new citizens of Israel, catapulting the preexisting Israeli population of 4.56 million by more than 7 percent. The mass arrival of these new immigrants presented enormous challenges. The immigrants had little knowledge of Hebrew and local customs. Israeli employers also needed time to evaluate their foreign education and skills. Complicating matters