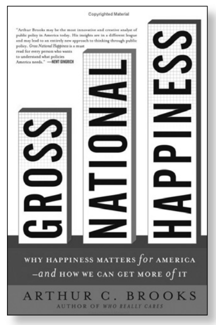
There exists what it is fashionable to call a degree of 'disconnect' between economic performance and military activity. Any government that wishes to do so can direct enormous resources into the military sector, even when the remainder of its economy is in tatters. For all the impediments to further growth on which Emmott reports, this is not the situation in the Asian giants. Given their fast-growing economies, embarking on military adventures would be easy for them. Moreover, the transfer of resources can be done quickly and, at least in the sense of accumulating hardware, very effectively.

Australia stands on the sidelines, watching this impressive but rather brittle set of Asian powers. It does not receive much attention here, a lacuna that happens to chime with the country's own mood. By all accounts Kevin Rudd's 2020 talkfest (that orgy of populism for the chattering classes) declined to contemplate the dangers. Greed trumps fear. China's demand for resources, soon to be supplemented by demand from India, is expected to persist into a golden future for the Lucky Country. Nevertheless, the chance of something going wrong, of growth being interrupted within one or other of the new powers, or of a serious dispute arising among them, cannot be discounted. It is not sensible to scoff at the possibility. Let us hope that Australia will not become collateral damage in some future two- or three-way Asian clash.

Reviewed by Eric Jones

Gross National Happiness: Why Happiness Matters for America—And How We Can Get More of It
by Arthur C. Brooks
Basic Books
New York, 2008
US$26.95, 277pp
ISBN 9780465002788

In *Gross National Happiness*, Arthur Brooks—a professor of business and government policy at Syracuse University and a visiting scholar at the American Enterprise Institute—takes on and debunks many of the myths that surround the growing body of happiness research. By analysing a substantial volume of data on happiness, Brooks discovers, amongst other things, that conservatives are happier than liberals, that the religious are happier than the secular, and that increased government spending makes us unhappy.



By limiting his subject matter to the United States, Brooks avoids many of the traps that other happiness research falls into—such as glossing over differences in culture between nations, which play a role in happiness. Such a focus also enables Brooks to go beyond mere descriptions of the current state of American happiness, and to suggest proposals for social and economic reform that will increase gross national happiness.

The first myth that Brooks takes on is that liberals are happier than conservatives (both terms used in an American sense). He reveals that conservatives are nearly twice as likely to say they are very happy as people who called themselves liberal (44% versus 25%), and that this has been true for at least thirty-five years. The difference can partially be explained by demographics. Conservatives have higher rates of marriage and are more likely to practise a religious faith, both of which drive happiness. Adjusting for these demographic differences, however, still gives conservatives a happiness edge.

The most important contributions that Brooks makes lie in his analysis of the economics of happiness. Brooks, like many others who have analysed happiness research, observes that higher levels of personal income above subsistence levels do not increase happiness substantially. This is because of what psychologists call adaptation—the capacity to adapt to changes in circumstances by varying your expectations. Studies reveal that no matter what level of income individuals earn currently, they tend to say that their 'required income' is about 40% higher than what they earn.

At first sight, this suggests that greater levels of redistribution will not harm gross national happiness, because of our capacity to adapt. But, as Brooks explains, government spending not only fails to make us any happier, it also makes us *less* happy. In fact, Brooks writes, 'a $1,000 increase in federal government revenues per person is associated with a 2.91 percent increase in the percentage saying' they are 'not too happy.' Even if increased personal income has only a marginal effect on happiness levels, the alternative—increased government revenue—makes us unhappier.

Moreover, the research cuts both ways. If rising incomes above subsistence level do not increase happiness, then there is also little reason to redistribute income except to those who earn below subsistence levels. In other words, middle-class welfare programs do not increase the happiness of the recipients.

Brooks goes further by examining the myth that income inequality drives unhappiness. Over the past thirty years, income inequality has deepened (although per capita income for all quintiles has increased) in the United States. If income inequality drives unhappiness, we would expect to see greater levels of unhappiness. This is not borne out by the facts. Individuals' views on inequality are largely a function of how they perceive the likelihood of income mobility, or the capacity to increase income. Government programs that seek to increase income equality at the expense of mobility are likely to decrease overall levels of happiness.

This is a sobering message for politicians because the traditional measures that reduce inequality—highly progressive tax rates, large welfare programs, and so on—tend to decrease income mobility. They create disincentives to earn and work more whilst simultaneously subsidising non-work activities.

The analysis that Brooks provides of the relationship between work and happiness undermines a central economic assumption—that individuals trade off income-earning opportunities and leisure-time opportunities. The neoclassical assumption suggests that time spent at work is a cost only offset by income, and that we only want the income to fulfil other wants. Yet the facts suggest that those who see themselves as 'very happy' work more than those who see themselves as 'pretty happy.'

Moreover, increased leisure hours are in no way related to increased happiness. Brooks argues that work leads to happiness for two reasons. First, work brings professional success, and success is directly related to happiness. Second, work can give meaning to our lives by allowing us to create value in an easily measurable way. Legislating shorter working weeks or longer annual leave is therefore unlikely to make us happier.

Brooks recognises—but inadequately deals with—a problem facing happiness research, which is that different levels of happiness from personal choices do not necessarily imply a happiness strategy for individuals. The fact that married people are happier than unmarried people in the aggregate does not necessarily suggest that I will personally be happier if I marry. An unmarried person may be unhappier than a married one, but may be unhappier still if they were married. Not all marriages are happy marriages. Although research can adjust for age, culture, faith, and so on, it cannot accurately reflect *my* wants.

The importance of this cannot be overestimated. It suggests that choices over how individuals live their lives should be left to those best placed to decide the costs and benefits to human happiness. That person is undoubtedly the individual. Despite this omission, *Gross National Happiness* is a valuable addition to the growing area of happiness research.

Reviewed by Stephen Whittington

Sex, Science and Profits: How People Evolved to Make Money
by Terence Kealey
William Heinemann
London, 2008
$34.95, 455pp
ISBN 9780434008247

Why should governments invest in science? Like most modern organisations, governments need to find ways to improve their services, and investing in knowledge, both new and applied, is one way to do this. If it makes sense for Microsoft to spend on research to develop new operating systems, it makes sense for governments to invest in science too, to develop better health services, better education systems, and better policies.

But what about the more generic investment by governments in the knowledge base—public subsidies for research and development in the corporate sector, investment in undirected university research, and commitments to government agencies like the CSIRO? The conventional economic wisdom is that science (especially pure science) is a public good for which free markets will tend to under-provide, hence the role for government.

This idea is not definitively proven, but for fifty years it has spurred governments across most societies to increase their funding for research and development (R&D). The orthodoxy is that public investment in R&D is fundamental to a society's long-term economic growth. As a result, the annual investment in R&D by the combined OECD governments now exceeds a quarter of a trillion dollars—up by 24% in real terms over the past decade.

This is a substantial investment by any reckoning. It corresponds to over a million researchers dependent upon the public purse across developed countries; a small city's worth of people. Clearly, the view of most governments is that public funding of science is necessary, and increasing in importance. However, it is all a complete waste of money if one is to believe Terence Kealey, the vice chancellor of Britain's only private university (the University of Buckingham) and the author of *Sex, Science and Profits*.

Kealey argues that science is not a public good but a surprisingly private one—which is to say it pre-