Journal of Behavioral Economics for Policy, Vol. 1, No. 1, 81-82, 2017

Book Review
Carol Graham: Happiness for all? Unequal hopes and lives in pursuit of the American Dream

Roger Frantz[1]*

Book details

Happiness for all?
Unequal hopes and lives in pursuit of the American Dream
Carol Graham

Princenton University Press, 2017

ISBN: 9780691169460 (hard cover)
ISBN: 9781400884971 (eBook)

[1] *San Diego State University*
***Corresponding author**: rfrantz@mail.sdsu.edu

More than 40 years ago Professor Graham's father wrote "The High Costs of Being Poor", in Peru. Forty years later Professor Graham has written a book about the high costs of being poor, in the United States. The costs are not so much material income levels but costs in the form of stress, a shortage of hope, a scarcity of positive expectations, and a perception of the overall insecurity surrounding themselves. In both Peru then and the U.S. now it is the children who inherit the vicious cycle of material, psychological, and spiritual poverty. The focus on individuals is their capabilities to have and maintain well-being, and the freedom –autonomy or agency– to decide what they want to achieve with their life. Her focus on "income" is not the gini coefficient, or the 90/10 ratio, but on the relationship between well-being and beliefs about the future, and the "distribution of hopes, dreams, and expectations for the future" (Graham, p. xiv). Hopes, dreams, and expectations about the future –a better future for the children than for the parents; the expectation of upward mobility -are not an after-thought in U.S. culture. They are part and parcel of the U.S. Pledge of Allegiance and the Declaration of Independence; they are part of the American Dream.

The book is a very extensive review of the literature. I would have liked to hear more of Professor Graham's "own voice", but much of her voice is clouded over by reviewing the enormous literature on the subject, a review which includes her own original empirical research, especially in chapters 3 and 4.

Graham spends a considerable amount of the book talking about the meaning of inequality, the signal which inequality sends. Does inequality send a positive signal, that inequality represents an opportunity or a reward for hard work when everyone has an opportunity to advance economically. Or does it send a negative signal, that a relatively small group have advantages due to family income and the majority are virtually prevented from advancing. These signals not only differ in different societies but they change over time. How much inequality is there in the U.S.? There is a considerable amount which is why Graham asks, "What Happened to Horagio Alger?" In the U.S. the top 1%, 0.1%, and 0.01% of income earners have the highest share of total income among the world's nations with the exception of South Africa and Argentina. Movement among quintiles has slowed, more for blacks than whites. Inequality in the U.S. has been seen as a reward for hard work, but the fact is that the higher is the gini coefficient for parents' income the less upward mobility for the children –the Gatsby Curve. This is more the case for black children than for white children. A less educated mother results in the children to have a higher dropout rate from high school. Even good students from low income parents apply to less prestigious schools. The educational gap between the children of wealthier parents and poor parents begins at a very young age in terms of vocabulary skills. The U.S. had higher intergenerational mobility than Britain in the 19th century but the difference no longer exists.

There are several reasons mentioned for why inequality is high and has been increasing, including assertive mating, aging of the population, single-parent homes, skilled based technological change, financial deregulation, IT boom, union membership, minimum wages, tax changes, and migration.

Given the data on inequality the question becomes, "Who Believes in the American Dream". Graham tackles this by discussing not so much inequality and economic growth, or inequality and well-being, but the relationship among one's sense of well-being, attitudes and beliefs about the future, and decisions about the future. Historically the attitude about inequality in the U.S. has been one of acceptance because the positive signal of inequality –hard work pays– has been the dominant signal.

Research shows that the negative signal of inequality occurs more in cities with more than 100,000 people. In small cities average income and well-being are positively related. In the U.S. as a whole average income is more negatively related to well-being. The conclusion is that large populations and weak community relations make inequality less acceptable. Attitudes about inequality are changing. A Pew survey shows that the majority of Americans have currently joined the majority of other people in the world believing that the economy does in fact favor the wealthy while a minority believe the economy treats all people fairly. Most Americans also now believe that their children's economic future will be worse than theirs is. Whereas Europeans believe that their economies are more unequal than it is, most Americans believe that their economy is more equal than it actually is.

What are "The High Costs of Being Poor in the Land of the Dream". The title bears the name of her father's seminal article from 40 years ago, but with the application to the land of the Dream, i.e., the U.S. The high costs are shown to include problems with health, stress, insecurity, pain, worry, sadness, anger, high discount rates, low birth weight and obesity. She calls it "A Story of Two Americas", a name which seems to have began in 2004 by Senator and Presidential candidate John Edwards. The high costs are shown to even affect the most common words used in "poor America and in the easy places to live". In the former the commonly used words are guns, video games, hell, diabetes, fad diets, and stress. The stress is "bad" stress, stress from the daily struggles of life. In the latter we have iPads, Baby-Bjorn, baby joggers, Machu Pichu, and foam rollers. The stress here is "good" stress, stress from investing and planning your future, from human capital accumulation. Graham adds that "it is not difficult to imagine how different the futures of each cohort will be (p. 121)". After about 140 pages of statistics which paint a vivid picture of the vicious cycle of poverty, she ends the book asking can we save the Dream? I will not ruin the reading of the book by telling you the ending. I will say that many times in my reading I found myself thinking that the statistics are correct but there is another explanation not consistent with a vicious cycle of poverty. Only to be met on the next page with another empirical study supporting the vicious cycle. I came away with a different view of income distribution in the U.S.