need to achieve full responsibility in the (unlikely) event that all persons in the economy actually did have the same skills. The consequence is a SOF that favors industrious over non-industrious low-skill persons, even though the axiom in question, laissez-faire selection, eschews such favoritism.

The alternative approach of taking equal-skill transfer as supreme and compromising on equal-preference transfer leads to a SOF that has arguably unacceptable compensation properties. The reason is that the weakened version of equal-preferences transfer ($\tilde{\ell}$-Labor transfer) has limited normative appeal, and little attempt is made to convince the reader otherwise. One problem might be that, while the idea of compensating for differences in persons’ ability to earn income seems clear and relatively easy to implement, formulating the idea of responsibility for one’s preferences is not. The approach adopted of supposing that persons of equal skills and difference preferences should be on the same linear budget line is, in a sense, arbitrary.

One final word of caution concerns the normative assumptions adopted in the Fleurbaey-Maniquet approach. While the information about individual utilities required is much less than in the social welfare approach, especially the absence of measurability and comparability, it is nonetheless substantial. The planner must have precise information on individuals’ indifference curves to implement the SOFs, rather than just on orderings over allocations as in Arrovian social choice. Moreover, there are some potentially important questions that go unanswered in relying on individual preferences as the sole basis of information. For one, do all individual preferences count? For example, preferences might be altruistic or envious toward others. Or, persons may have preferences about the behavior of others. The relevance of these sources of utility are important for some sorts of public policies, such as the tax treatment of families, inheritances, inequality, and so on. For another, persons might have the same preference orderings, but have different capacities to enjoy consumption or different needs for consumption. This may be a relevant consideration in dealing with children or the disabled. The social welfare approach can readily take these differences into account, but approaches based solely on preference orderings cannot.

All this is to say that there is much work to be done. This seminal book ought to be taken in the spirit the authors propose. They clearly illustrate that it is possible to develop a method for constructing SOFs based solely on ordinal information about preferences and some minimal axioms of fairness in access to resources. The approach they suggest is capable of taking into account the fact that preference orderings differ in some important ways. There are many different specific ways of obtaining SOFs, depending on the fairness axioms selected. The fact that one might find some of the examples of SOFs they propose to be wanting invites us to develop alternatives rather than condemning the approach. If this involves revisiting the role of interpersonal utility comparisons, so be it.

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Beauty and the lives of those who are beautiful are topics with broad appeal—*People* magazine has circulation of over 3.5 million copies, more than *The New Yorker* and *Newsweek* combined. This book caters to this widespread interest in good looks while injecting economics into the analysis of the topic.

Daniel Hamermesh has written half a dozen papers on the relationship between beauty and economic outcomes1 and these articles are the backbone of the book, which is organized into three main parts. The first part is a discussion of the measurement of beauty—whether there is a

1A seminal contribution is Hamermesh and Biddle (1994), which documents higher wages for more beautiful workers. Hamermesh (2006) shows that more beautiful economists are more likely to be elected to the leadership positions in the American Economic Association. The latter article provides what is probably the cleanest evidence for the causal impact of beauty on outcomes; individuals run for election multiple times and use different photographs on different occasions—hence, Hamermesh can estimate the photographs’ impact while including individual fixed effects.
broad consensus on who is beautiful, the extent to which beauty varies across demographic groups, and the extent to which expenditure on cosmetics can improve one’s looks. I was quite surprised that Hamermesh does not discuss (or use) the website hotornot.com for this part of the book. Hotornot.com allows anyone to post a photograph, and then within a few days, hundreds to thousands of people rate the beauty of the person in the photograph. In a world where such a website exists, it is unclear why the author bases his analysis on small-scale surveys conducted in the 1970s and early 1980s.

The second part of the book examines the correlation between beauty and earnings and builds a case for a causal relationship. Hamermesh analyzes how this relationship varies across demographic groups and across industries, and tries to disentangle the relative role of the employers’ and customers’ preferences for beauty. This part of the book also contains an extensive, almost metaphysical discourse about whether higher salaries of the beautiful are due to “lookism” (i.e., discrimination against the ugly) or social productivity of beauty. The author writes that distinguishing these cases is like defining pornography (I know it when I see it), but I am concerned that this analogy may not be so apt—he argues, for instance, that prominently featuring better-looking tennis players is a clear example of socially unproductive “lookism.”

The third part of the book provides a wealth of evidence on how beauty affects outcomes other than salaries—being beautiful makes it easier to get a loan or join a group and (less surprisingly) to get a date or a better-educated and a better-looking spouse. This part of the book also presents an argument for legal protection for the ugly.

The book presents a solid and clear exposition of how discrimination against the ugly may affect their wages, but the economic analysis seems to omit some potentially interesting general equilibrium effects. Specifically, when the author compares the impact of beauty on wages across industries, he seems to suggest that the premium for beauty in professions where looks are not socially productive is evidence of discrimination. This, however, need not be the case: individuals who forgo lucrative modeling jobs to become computer programmers will tend to be more productive programmers than those who did not have such an outside option. Thus, we may expect beauty and productivity to be positively correlated simply due to sorting across occupations.

The real value of this book lies not so much in its synthesis of existing results, but rather in the fact that it collects such results in a single volume. Observing side-by-side the various privileges bestowed upon the beautiful paints a picture that is more than the sum of its parts. Even though some specific results in the book may be driven by omitted variables, others are cleanly identified, and the overall set of studies builds a compelling case for the view that “beauty pays”—being beautiful is valuable whether you are looking for a job, a loan, or a spouse.

References


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2In my mind at least, sports are a form of entertainment and there is nothing socially unproductive about a preference for better-looking entertainers. If there was similar disagreement about pornography, we would end up checking IDs at entrances to art museums.

3See Ravina (2008).


5See Fisman et al. (2006) andHitsch, Hortacsu, and Ariely (2010).

6See Hamermesh and Biddle (1994). More beautiful women get better-educated husbands. Men’s looks are less correlated with the education of the wife.

7See Alvarez and Jaffe (2004).

8Also, I do not understand the logic behind the author’s view that we should decrease unemployment in order to reduce the wage penalty for being ugly. Apart from the practical issues with this policy suggestion, there are simple models of labor market frictions where wage consequences of taste-based discrimination would not vary with the unemployment level.

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E Macroeconomics and Monetary Economics


Understanding the long-run determinants of unemployment is not only a central issue in macroeconomics. It is also especially relevant today during the aftermath of the financial crisis and associated jobless recovery. The main idea of this provocative book is that higher real wages for workers do not only act as costs to producers. The negative effect on profits is counteracted by their positive impact on labor productivity growth and technological progress. Moreover, the book argues that labor productivity growth should increase in aggregate output growth and in the degree of labor market regulation.

Macroeconomists tend to think of unemployment as consisting of a natural rate or NAIRU (nonaccelerating-inflation rate of unemployment) and short-run movements. The textbook view of New-Keynesian macroeconomics holds that short-run movements are affected by monetary policy and fluctuations in aggregate demand, while the NAIRU is independent of monetary policy. Attempts by the central bank to push unemployment below its natural rate lead to an increase in inflation (Clarida, Gali, and Gertler 1999).

Storm and Naastepad argue that the NAIRU varies over time, both due to aggregate demand shocks and due to changes in labor market institutions. Most of the book is devoted to arguing that more stringent labor market regulation and higher real wage growth can increase productivity and output growth, while producing an equitable distribution of income. Said differently, “there is no inherent conflict between growth and egalitarianism” (3). The proposed reason that wages can increase productivity is that higher wages will incentivize firms to invest more into labor-saving technology and deepen labor specialization. Storm and Naastepad argue that workers will be more motivated when labor markets are more equitable and regulated, again increasing productivity. The authors claim that these productivity increases can spill over into higher output and higher employment.

The book’s view that the NAIRU varies over time and is affected by aggregate demand is not new and has hardly been as overlooked as the book would make it seem (see, e.g., Blanchard and Summers 1986, Staiger, Stock, and Watson 1997, and Ball 1999). Blanchard and Summers (1986) argue that increases in unemployment can feed directly into the NAIRU, a mechanism they call “hysteresis.”

The book’s contribution is therefore not its argument that the NAIRU varies over time, which by now is widely recognized. Neither is its claim that labor market regulations affect equilibrium employment. It however features an unusually strong emphasis on the positive employment effects of labor market regulations.

The authors find that in their model more stringent labor market regulations lead to a drop in unemployment, in contrast with previous empirical evidence. Due to limited time-variation in labor market policies, it is arguably hard to estimate the effect of labor market regulation on unemployment. It nonetheless seems that the authors brush aside too easily empirical evidence that a decrease in labor market frictions has contributed to improvements in European employment numbers since 1995 (Dew-Becker and Gordon 2008).

The book provides a classification of OECD countries as either profit-led or wage-led. In profit-led countries, an increase in the real wage decreases aggregate demand, while in wage-led countries the relationship is reversed. According to the book’s classification, most EU countries are wage-led, while the United States and Japan are profit-led. The book briefly discusses the ultimate causes for wage-led and profit-led regimes, arguing that a stock-market-based financing system