Book reviews

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1 Introduction

This edition of our book-review article contains four contributions. Hannu Nurmi analyzes *The Origins of Inequality. Mechanisms, Models, Policy* (Per Molander) on the discussion about inequality as a result of the human condition. The most popular inequality measure, the Gini index, is revised by international researches from an applied and theoretical standpoint in *Gini Inequality Index. Methods and Applications* (Nitis Mukhopadhyay and Partha Pratim Sengupta) and reviewed by Stéphane Mussard. Later, the *Handbook on Social Protection Systems* (Esther Schüring and Markus Loewe) on a broad overview of the instruments and configuration elements of social protection systems is examined by Philip O’Keefe. Finally, Francisco Ferreira analyses in detail the collective, open access title *Inequality in the Developing World* (Carlos Gradín, Murray Leibbrandt and Finn Tarp) that assess global inequality in five of the world’s largest developing countries—Brazil, China, India, Mexico, and South Africa.

2 Book review of *The Origins of Inequality. Mechanisms, Models, Policy*. Per Molander, Springer Cham 2022. pp. 210. ISBN 978-3-030-93188-9

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Inequality in wealth, influence, well-being, resources and opportunities characterizes all societies past and present. It is one of the most pervasive features in human communities. It can be found on global and local levels. It differentiates individuals, groups, social strata and nations from one another. Intuitively some forms of inequality seem quite justifiable and plausible, while others are deemed undesirable, even repulsive. Some inequalities are...
causes of conflict, some results thereof. Perfectly equal societies do not exist except perhaps in Thomas More’s Utopia (1516/2014) and, as Nozick (1974) famously pointed out, cannot be expected to be stable. So, how does this ubiquitous feature of inequality come about, how can it be studied and what kind of policies are required to keep its magnitude within reasonable limits? These are the main questions addressed by Per Molander in the book under review here.

The author sees inequality as a natural outcome emerging out of social, economic and political processes. In a given context it has its own specific evolution which can be, and often is, subject to external influences, such as policies designed to dampen the inequality-related developments. As the title suggest, this book is about the origins of inequality, i.e. what are the causes that launch, strengthen and/or weaken inequalities. Molander aims to provide a dynamic account of inequality. His approach stems from the control theory, a branch of applied mathematics that has its roots in modeling complex systems. His PhD in applied mathematics combined with his extensive work in social and political philosophy makes Molander a particularly well-equipped scholar to study inequality as a dynamic process both in philosophical, social and mathematical terms.

The basic concepts and tools of analyzing inequality include models (their types and roles in research and policy making), units of analysis (individuals, households, municipalities etc.), focus variables (income, assets, status), measures (e.g. the Gini index) and time perspective (short vs. long term). These, along with basic aspects of dynamical systems, are introduced and explained in Chapter 2. The elements of game theory with its dynamic sub-field, evolutionary games, are briefly outlined. The basics of the theory of oscillations are introduced as well.

Chapter 3 focuses on life-cycle developments. For the analysis of inequality it is often important to separate cross-sectional distributions from long-term distributions. The chapter is based on an extensive literature survey on studies of childhood, school age, working life and old age developments. In the study of individual level inequality-generating mechanisms Molander argues that the well-being is a multi-dimensional state consisting of such aspects as education, health and income. These are typically intercorrelated making causal attributions difficult. The author rejects the distinction between opportunities and outcomes on the grounds that the outcomes in one stage of human life contribute to the opportunities in the next ones. Also the distinction between nature and nurture – or genes vs. environment – is found to be obsolete due to advances in genetics and epigenetics. Extant research suggests that the cognitive differences among individuals tend to widen with age. Molander argues that the individual abilities do not in general predict material success in the labour markets due to persistent discriminatory factors such as gender and ethnicity.

Chapter 4 is the first ‘starred’ chapter in the book. The idea of separating starred from regular chapters is to indicate that these chapters are mathematically more demanding than the others. This practice is adapted from A. K. Sen’s (1970) Collective Choice and Social Welfare. The chapter introduces and applies mathematical models for the analysis of growth processes, human capital, health capital and social capital. The implications of these to inequality and social mobility are also discussed.

Chapter 5 moves the focus from the individual level to the interaction of individuals and groups in order to open another angle to the origins of inequality. Utilizing extensive historical and theoretical literature sources the author singles out the drivers of inequality in two recent phases of the development of human societies: agricultural and industrial phase. Roughly speaking the main trend has been toward increasing inequality mainly due to the process of capital accumulation. As countervailing forces to this general trend the author discusses education and organization. Both seem to be equalizing processes, the former through
the increase of the value of the labour force and the latter via the ensuing bargaining power. Discrimination in societies is also found to affect inequality both directly and indirectly via reduced productivity. In advanced market economies the basic trend towards increased inequality seems to prevail with added strength stemming from the emerging network structures.

The mathematical tools applicable to the analysis of the aspects of inequality dealt with in the preceding chapter 5 are discussed in some detail in the second starred chapter, viz. chapter 6. Since the author is dealing with interactions as drivers of inequalities, it is natural that game-theoretic tools are a major topic. As expected, the problems related to the existence and uniqueness of equilibria are in the focus. 2-person repeated bargaining games are used to illustrate the equality-related properties of outcomes. The results are primarily obtained from the literature with the exception of the proposition pertaining to the instability of egalitarian outcomes in 2-person bargaining under specific assumptions regarding the player utility functions and risk postures. The latter are discussed in some detail. The author is well aware of the grossly simplifying nature of some models that are being used in mathematical modelling of interactions situations and provides some sobering remarks about their general validity.

The distribution of resources and its consequent impact on the well-being of individuals can also be approached from the spatial angle. This topic is pursued in chapter 7 where it is shown that the between-country inequality exhibited a strong growth from the early 19’th century until the 1970’s to take a downward turn over the past few decades. The explanations — ideational, technological, material and political — are discussed. The main conclusion derived is that despite apparent similarities in some phases of development, the regional inequality has a different logic than the inter-personal inequality. In the former, the centrifugal and centripetal forces determine the economic development and these in turn interact with other processes in determining the overall patterns of economic and social development and, as result, the level of inequality.

The starred chapter 8 deals with spatial allocation models. The basics of location theory are introduced whereupon the dynamics of the emergence and distribution of new cities are discussed along with the international division of labour and its implications for spatial inequalities, i.e. poverty traps.

Chapter 9 looks at the preceding chapter from the philosophical and political perspective reminding the readers of Hume’s guillotine (the inference from facts to norms is not logically sound) and arguing that although facts cannot entail norms or policies, the former are nonetheless often very relevant for the latter. The chapter draws some general policy conclusions from the preceding chapters. These are framed in the general systems theoretical terms. In the reviewer’s opinion some material of the chapter — especially the succinct observations on social justice theories — would have served the reader better in opening chapters of the book than in the penultimate one.

The Origins of Inequality. Mechanisms, Models, Policy is a thoughtful and thought-provoking survey of studies on the causes, conditions and factors associated with inequality. Viewed as a survey it is quite comprehensive and suitable for independent study as well as for classroom use. The specific approach of the book stems from its author’s own previous work on inequality, dynamic games and equilibrium theory. Molander aims at — and to a large extent succeeds in — making sense of the processes that result in inequalities. His ‘engineering’ approach is likely to provoke criticism from the readers of more ‘humanistic’ persuasion. Moreover, for some of his economist colleagues increasing inequality is just a minor (if any) inconvenience in the pursuit of greater goods, such as economic growth and efficiency. Molander makes a strong case to the contrary. The case is well worth studying in detail.
2.1 References

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3 Book review of Gini Inequality Index. Methods and Applications. Nitis Mukhopadhyay and Partha Pratim Sengupta, 2021. Pp. 743 pp. ISBN 9781839109102

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This book offers a new look at the Gini index, both theoretically with new insights about inference and empirically in terms of potential applications in social sciences (economics, sociology, demography, environmental economics, etc.). At the theoretical level, the approaches focus on statistical approaches to inference based on the theory of U-statistics, point estimation methods, interval estimation methods, test theory and axiomatic characterizations. The applications concern various fields, such as the analysis of incomes or earning inequalities according to gender, demographic issues of inequalities between populations (survival data, life expectancy), the study of health inequalities with ordinal data, the generalized Gini indices measuring air quality, and finally measures of social segregation (employment, school, etc.).

In the following lines, I briefly review the interest of each chapter, dividing the analysis into two parts, a review of the theoretical contributions related to purely statistical approaches on the one hand, and a review of the methodological contributions related to the social sciences on the other hand (the two parts being of course not disjoint).

3.1 Statistical Approaches

The theory of U-statistics (Hoeffding, 1948) is widely used for inference purposes and it is well adapted for the Gini index in many tasks.

In Chapter 1, Nitis Mukhopadhyay and Bhargab Chattopadhyay propose a very original generalization of the Gini index. Instead of forming all pairs in differences from two observations related to each pair (in order to measure the standard Gini index), they fix a priori the size of the pairs of observations among a given number of individuals. The Gini index can be formulated for example on the basis of observation pairs among three individuals, by grouping together two individuals who form a single entity and the remaining individual remains alone. This is what the authors call an informal measure of degree 3 inequality. The procedure is generalized to higher degrees in order to consider pairs among larger observations. Whatever the size of the fixed coalitions, the inequality measure is symmetrized (symmetric kernel) so that it is well defined according to the class of U-statistics, i.e. an unbiased and consistent estimator. The approach may pave the way to future researches, for instance, compliance with the Pigou-Dalton transfer principle remains to be demonstrated for certain indices of the class of informal measures of inequality of degree k.

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1 The eBook version is priced from £48/$68 from eBook vendors while in print the book can be ordered from the Edward Elgar Publishing website.
In Chapter 5, Francis Bils Darku and Bhargab Chattopadhyay propose a trade-off between the sample cost of employing a large sample and the error of the point estimator of the mean, through the prism of the Gini mean difference. On the basis of a risk function which captures both sample costs and estimation errors, the Gini mean difference is employed as an estimator of the standard deviation of the population distribution. As far as the estimation of the sample size falls below a lower bound issued from the risk function, the estimation of the optimal size of the sample continues. This sequential process is shown to respect useful properties, and Monte Carlo experiments assess the robustness of the proposed approach: the standard error of the estimate of the sample size is much more lower in the case of skewed and leptokurtic distributions.

The risk function based on the Gini index can also be used to determine point estimation of the Gini index as shown in Chapter 8, by Nitis Mukhopadhyay, Shyamal K. De and Tae Young Yang. On the one hand, the point estimation of the Gini index is related to the minimum sample size to be drawn in order to derive an accurate estimation of the Gini index. A sequential sampling process is investigated in which a strong and consistent estimator of the mean and the variance is necessary. On the other hand, the confidence set estimation also relies on a sequential sampling process, for which the minimal sample size implies the existence of the confidence set of the Gini index.

In Chapter 11, written by Nitis Mukhopadhyay, the minimum risk point estimation of the Gini index and the fixed-width confidence interval of the Gini index are investigated through the prism of big data. The big data area may imply some costly problems of sampling, then practical estimations are necessary. Indeed, it can be assumed that a large volume of data is available at different periods of time. In this case, the problem is to derive accurate point and interval estimations of the Gini index by solving for the optimal number of time periods. As in the previous Chapters related to inference and estimations, the number of time periods may be derived from a sequential strategy based on a predefined risk function. Furthermore, the same question arises with the number of dimensions to be chosen in the analysis. Some optimality conditions are provided ensuring the accuracy of the sequential estimation strategy and the simulations show the accuracy of the methodology under different distributional schemes.

The Gini index is also a tool to test for the correlation between variables as shown in Chapter 9, by Wolfgang Schmid and Ivan Semeniuk. Testing positive correlation by rescaling the Gini mean difference by a given variability measure such as the standard deviation, the absolute mean difference or the median absolute deviation, implies the following result: for a multivariate elliptically contoured distribution, the test statistics based on hypothetical positive correlation is invariant with respect to the parameters of the class of the considered multivariate elliptically contoured distribution (including among other the multivariate normal distribution, the multivariate t-distribution). Critical values are obtained by simulation and the power of the test is shown to be more important than the Ljung-Box test, especially for small samples. It is also shown that this test may be used for process control, i.e. for detecting any change in a given process.

To conclude the first part of this book review, informal measures of inequality may constitute a novel way of measuring inequalities by couples. In cooperative games, this could provide the opportunity to measure inequalities based on coalitions of individuals of fixed specific size. However, this could make sense if worth transfers between coalitions (of same size) may reduce inequalities in transferable-utility games, see Béal et al. (2015). Additional works have also to be done by connecting informal measures of inequality to the Lorenz dominance criterion in order to obtain a robust ranking of the distributions (of payoffs). On the other hand, the pure statistical approach based on the
Gini mean difference is necessary for empirical studies since they enable robust statistics to be designed. However, inference purposes sometimes rely on the existence of second moments, which is debatable since in the presence of outlying observations the second moment may tend to infinity. In this case, sampling methods such as Jackknife and efficient Jackknife may be of interest, see Schechtman and Yitzhaki (2013). Finally, in the future, inference will be more related to particular univariate and multivariate Gini indices applied to particular research topics such as stratification, social exclusion and segregation, with a particular interest in time series and categorical (nominal and ordinal) variables, as shown in Sect. 3.2 below.

### 3.2 Contributions to social sciences

The applications of the Gini index to social sciences are mainly concerned with the analysis of inequalities between individuals. In this perspective, the decomposition of the inequality measures remains a privileged tool for researchers because it allows a fine grained and detailed analysis of the subgroups of a population most confronted with inequalities such as inequalities of income, health, education, life expectancy, etc. One of the first approaches to the decomposition of the Gini index was carried out by Battacharya and Mahalanobis (1967). Many other inequality decompositions, which are rather critical contributions, emerged in the literature, due to the fact that the Gini index is not naturally decomposable into within-group inequalities and between-group inequalities (based on the usual definition of between-group inequalities according to which inequalities depend only on the distribution means of the subgroups considered in the analysis). The decomposition of the Gini index is actually weakly decomposable (Ebert, 2010) because the between-group component highlights all income pairs in absolute difference, moreover, as shown by Battacharya and Mahalanobis (1967), a third term appears in the decomposition, which was for a long time considered as a residual term devoid of interpretation about inequalities. Dagum (1997) proposes one of the most successful forms of the decomposition of the Gini index: one decomposition into two components based on Dagum’s between-group Gini index (1987); and another decomposition into three components, based on the seminal Gini’s works, in particular, on the concept of transvariation introduced by Gini (1916).

Dagum’s decomposition is reviewed in Chapter 4, by Michele Costa, it is compared to that of Battacharya and Mahalanobis (1967) in the light of the third component of the decomposition, the inequality of transvariation. This concept has evolved over time; it is a term that measures the inequalities linked to the overlap between the distributions of the subgroups studied, which can also be interpreted in terms of stratification and polarization. The concepts of probability of transvariation and intensity of transvariation studied by Gini are reviewed with illustrative examples. Dagum’s decomposition and its ramifications are presented, moreover it is presented in a simplified way, indeed some components of the decomposition which have a quadratic complexity are proposed with a linear complexity. An application to income inequalities by gender in Italy is performed in order to observe the differences in between-group and transvariation inequalities with those proposed by Battacharya and Mahalanobis (1967).

Dagum’s decomposition with two components is employed in Chapter 2, by Beatriz Larraz, Encarnacion Moyano-Avila and Jose M. Pavia, to study annual wage inequalities and per hours wage inequalities in Spain (2006–2014), on the basis of the Gini index rescaled by all pairs of observations minus the size of the sample (therefore without the respect of the population principle).
In Chapter 3, written by Pundarik Mukhopadhaya and Jacques Silber, the Gini decomposition proposed by Silber (1989), is used to measure health inequality on ordinal variables. The Gini inequality index in question, also employed for ordinal measures of segregation, depends on the ranks of the studied health categories and the relative frequencies of these categories. This Gini index respects useful properties. It can be defined, as in the studies of income inequalities, with the co-Gini operator proposed by Yitzhaki and Schechtman (2013) as well as Gini mean difference.

Multi-group segregation indices are studied in Chapter 10, by Anjan Ray Chaudhury, Madhabendra Sinha and Partha Pratim Sengupta, considering either nominal or ordinal categorical variables. Indices may be based either on association measures, that is measuring the gap between the population share within a category and its expected value, or on unequal representation, that is measuring the discrepancies of the groups across different categories (gender, school, employment categories, etc.).

Comparing populations is also of crucial importance in demography, especially for the study of inequalities of life expectancy, inequalities of age at death, or in general for the analysis of survival distributions. In Chapter 6, Marco Bonetti, Chiara Gigliarano and Ugofilippo Basellini show that the Gini index may be used either for left-censored data (incomes), for right-censored data (survival) or for truncated data. Both cases imply particular estimations of the Gini index with maximum likelihood or with an appropriate estimate of the Lorenz curve. The Gini index is also employed for lifespan inequality, in which the usual properties of inequality indices are invoked, i.e., the population principle, the scale invariance property and the Pigou-Dalton transfer principle.

These popular properties have become the building-block pattern of the literature on inequality measurement. In addition to those properties, some axioms of aggregation have been studied and applied for a long time. The aggregation of the information such as incomes, health statuses, and other kind of information related to quality of life, imposes a lot of structure on the final index to be derived. The Gini index has been axiomatically obtained under different rules of aggregation (or decomposition). In Chapter 7, Satya Chakravarty proposes a generalized Gini air quality index axiomatically characterized by invoking a key axiom of weight differential information, for which the gap between the rank of the ordered consecutive categories is a given constant. Under this general condition, a Gini-type air inequality index is designed. By considering the pollutant indicators measured by the Environmental Protection Agency (EPA), such as the concentrations of carbon monoxide, sulfur dioxide, etc., it is possible to aggregate these indicators in order to obtain a family of very general composite indices of air quality. It is always possible to create a family of air quality indices by invoking the (strong) additive separability axiom in order to deduce an aggregation (by generalized means) of the individual pollution indicators. Nevertheless, the additive separability implies that among a set of three pollution indicators, the trade-off between two indicators does not depend on the third, which can limit the analysis in terms of well-being.

To conclude this second part of the book review, we note that many approaches that attempt to highlight the determinants of inequality are based on decompositions of the Gini index for which the decision maker’s aversion to inequality corresponds to that of a Daltonean decision maker. Considering different degrees of inequality aversion (within groups and between groups), as suggested by the pioneering work of Ebert (2010), and their link with Lorenz dominance, would be a promising approach. It will be necessary to accompany these inequality components with their asymptotic distributions in order to measure their significance. Similarly, Gini-type inequality measures based on categorical variables will also need to be equipped with tools to measure their significance, as Cowell and Flachaire (2017) have shown with the use of the multinomial distribution for indices derived from the generalized entropy measured on ordinal data.
Since the book written by Yitzhaki and Schechtman in 2013 and the seminal work of Gini in 1912 about the Gini mean difference, the interest in the Gini index has continued to grow. The various chapters of this book confirm this phenomenon. The Gini index lies in the family of robust statistics, and as such it provides better quality of either point estimates or interval estimates. Moreover, its use in the context of social sciences is impressive, it goes through income inequalities in economics, environmental economics, sociology, demography, health, etc. Twenty years from now, we will still be hearing about the Gini index, it is already used in machine learning, it will probably be used in AI like deep learning techniques.

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### 4 Book review of *Handbook on Social Protection Systems*. Esther Schüring and Markus Loewe. Elgar Handbooks in Social Policy and Welfare, 2021. Pp. 743 pp. ISBN 9781839109102

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2 The eBook version is priced from £48/$68 from eBook vendors while in print the book can be ordered from the [Edward Elgar Publishing website](https://www.elgaronline.com/).
The Handbook on Social Protection (SP) systems is a welcome and useful contribution to the burgeoning academic and grey literature on social protection. Given the expanded role that social protection had played in social and economic policy in developing countries over recent years, and in particular since the advent of the COVID-19 pandemic, it is also very timely. While the research, policy and practice literature on social protection has expanded rapidly in the past decade, the Handbook nonetheless fills a gap in the market, acting as a substantive compendium of the field, and a bridge between academically-oriented research and contributions from practitioners. As such, it is a valuable complement to the global, regional and country-based social protection publications of institutions such as World Bank, ILO, UNICEF, WFP and others which dive more deeply on specific dimensions of social protection systems.

While the primary audience for the Handbook is students and researchers who may be fairly new to social protection, it provides coverage of concepts and academic debates on different aspects of SP that will also be useful to practitioners. Even for practitioners already familiar with such literature, there will be value added and signposting to materials which provide deeper treatment on topics of interest. Across the collection, there is a balance of academically-oriented pieces which focus on definitional aspects, first principles, overviews of specific aspects of social protection, and global standards, and those from policy and development practitioners who bring more detailed country examples and a stronger sense of the practical dilemmas faced by developing countries. Other pieces bridge the divide.

For anyone wanting a succinct introduction to a wide range of themes and experience in social protection with a particular focus on developing countries, the Handbook balances accessibility and digestible length of individual pieces (around 10–12 pages in most cases) with solid reviews of relevant literature. It is an introductory tour of the social protection horizon, but does not dumb down its subject matter. The introductory overview and short precis of each section of the book also provide helpful framings and roadmaps of the detailed content on specific topics. As such, it should be an excellent resource for university courses on social protection as well as a useful go-to for practitioners in government and development sectors. While there are a number of prior collections by academics on social protection (e.g., Barrientos and co-authors, 2008), they tend not to have the thematic or geographic scope of the Handbook and in several cases appeared a decade or more ago. Given the speed of developments in the SP field in the developing world, an updated overview is welcome.

The Handbook draws on experience from a wide range of countries, both developed and developing, though with a strong focus on lower- and middle-income countries which will make it especially useful to the development community. In addition to the country evidence woven into thematic chapters, there is a selection of country case studies which aim to bring the overviews of individual topics into sharper relief. Within the developing world, there is somewhat of a bias towards experience and evidence from Sub-Saharan Africa (reflecting in part the breadth and depth of assessments from the region), though by no means to the exclusion of other developing regions. The key under-represented region is East Asia and Pacific, which receives fairly cursory coverage, and there is also limited inclusion of material from Middle Eastern and North African countries.

Thematically, the broad scope of the Handbook is a real strength, and the collection largely meets its stated goal of providing holistic coverage of social protection as a field, while not claiming to be exhaustive. While describing well the differences across different institutional and research players in their specific definitions of social protection, the collection takes a broad systems approach to social protection which is consistent with evolving
approaches to the field. The coverage of issues is broad, but also reflects well-informed editorial choices, including main SP instruments (social assistance, social insurance, micro-insurance, labor market programs, and more lightly social services); cross-cutting issues in SP system design (financing, targeting, SP actors, and human rights and systems approaches); specific social groups and the issues in meeting their needs (women, people with disabilities, children, older people, refugees and informal sector workers); delivery systems and program administration; political economy aspects of SP policy and practice; evidence on impacts; and interactions of global megatrends and SP systems. While social assistance receives considerably more attention than other pillars across the collection, this is largely a reflection of its important role in poverty alleviation in developing countries where social insurance coverage in general remains low or very low, and active labor market programs are under-developed and underfunded.

The Handbook largely delivers on its stated aim of not being overly prescriptive on issues of policy and program design and implementation. While on balance there is a strong emphasis on rights-based and global normative frameworks on social protection (e.g., Sustainable Development Goals and UN Social Protection Floor Initiative), the chapters also acknowledge the widespread prevalence of different targeting approaches for social assistance (and their shortcomings, most notably exclusion errors), and for the most part acknowledge the difficult trade-offs of coverage, adequacy, affordability, and sustainability of SP systems. In that sense, the collection reflects the ongoing debates in social protection around the concept of “progressive universalization”, where standards and advocacy which emphasizes the universalist aspirations of social protection confront differing country political preferences and fiscal and implementation constraints which result in more gradual progression towards wide SP system coverage. Several of the chapters also make the important points that: (i) the goal of universal coverage relates to the SP system as a whole rather than any individual program or sub-set of programs (though some chapters also promote the more ambitious goal of a universal basic income); and (ii) there is at times terminological confusion with respect to programs which are universal for specific social groups (e.g., child grants and elderly social pensions in some countries). Devereux’s chapter usefully clarifies that such programs are nonetheless targeted, but categorically rather than based on need.

One feature of the Handbook is both a strength and a partial weakness. Across the various chapters, there is good coverage of the roles of international organizations, bilaterals and other development actors, and the differences in framing, policy positions, and engagement mechanisms in the SP field. This brings out nicely the diversity of approaches among international players, though at points perhaps with an overly simple division between ILO and World Bank positions, and with respect to the latter under-acknowledgement of evolution towards more inclusive notions of targeting and country examples where the Bank has supported universal categorical programs for groups such as people with disabilities, elderly and in some cases children. There is also acknowledgement of the risks of unharmonized approaches from international actors (including in measurement), and the emerging efforts to find common ground between them, whether at the global level through initiatives such as the Sustainable Development Goals and UN Social Protection Floor, or operationally through mechanisms such as the Social Protection Inter-Agency Coordination Board (SPIAC-B). The global efforts are buttressed, and made pragmatically responsive to country conditions, by country-level initiatives such as Cash Working Groups among development partners which aim to harmonize approaches where possible. While the global focus is a strength, at the same time the coverage of global players at times underplays national policy actors, divergence in domestic policy views (e.g., between
 Ministries of Finance and line ministries), and interactions and alliances between domestic players and different outside actors. This may be a product of the relatively strong emphasis on Sub Saharan Africa countries where the financial and policy advisory roles of international players are more significant. But it does at points underplay the richness of domestic policy debates and dynamics in higher capacity countries and those with less reliance on donor funding such as in East Asia or India. That said, the tendency at points to a strong donor/international organization lens on policy dynamics is offset in the political economy chapter by Jeremy Seekings which acknowledges that international players are important but rarely the all-powerful actors they are sometimes portrayed as.

A second element which did not come through so clearly across the collection is the expansion of subsidized approaches to social insurance (SI) which tend to blur the lines between traditional contributory social insurance systems and social assistance. This is in part a natural product of thematic chapters, but could perhaps have been brought out more in the synthetic pieces. While the slow (in many countries negligible) expansion in coverage of contributory SI programs is noted at several points, the collection as a whole does not engage as deeply as one might have hoped with the growing use of general revenues to finance expansion of what were traditionally purely contributory systems. This is most visible in developing countries in the field of social health insurance, which across the collection does not receive the attention it would seem to warrant. The expanding use of full or part health insurance contribution subsidies for poor/near-poor households (e.g., in parts of Africa and South-East Asia) provides not only an important example of blurred lines between social insurance and assistance, but also a demonstration effect for pensions which has motivated matching defined contribution programs (not really discussed in the collection) and the nuanced the interaction between social pensions and contributory systems.

A third area where the collection does not engage as directly as it might is the intersection between sensible guiding principles and often tough fiscal realities with respect to financing of SP systems. While there is a useful chapter on financing by Arthur Van der Meerdonk which also summarizes some of the global cost estimates of complete SP system coverage, it does not engage as effectively on the constrained revenue situation of many developing countries, and the difficult spending trade-offs and options in the absence of own-revenues. That said, other pieces complement the first principles approach of the financing chapter with emphasis on the importance of looking at both the revenue and expenditure sides of government budgets and their distributional implications.

Another element which receives relatively less attention across the collection is the transformative role of technology in SP delivery. The excellent summaries of SP delivery systems and management information system experience in developing countries by Valentina Barca and Richard Chirchir bring in the role of technology in areas such as beneficiary identification, payments, and information management. But the insights from those chapters feel a bit detached from the thematic chapters on SP instruments and programs and system design. An example is the potentially powerful interface between interoperable information systems, existing government databases in areas such as social insurance, land and vehicle registers, and targeting.

A final element on which one might have expected more in the collection was on the experience and lessons from the COVID-19 pandemic for the future trajectory of SP systems. This is perhaps a function of publication lead times, but would have been a valuable addition. The COVID experience is touched upon lightly in some thematic chapters and in the chapter by John Woodall on pandemics and macro-crises, but the latter is largely an interesting discussion of general principles and historical experience rather than highlighting the rich experience and lessons from the pandemic.
The above reservations, however, are for the most part ones of emphasis. They should not detract from the real value of this collection. Readers of varying degrees of prior knowledge will emerge from this collection better informed on concepts, debates, and global experience. While unlikely to be a publication that most read from cover to cover, it is structured in a way that makes it an accessible resource on a diverse range of topics. The stated intention of the editors is to continue to update the content electronically, and this can only be welcomed. Particularly for those coming fairly fresh to social protection (but not only for them), there are few existing publications which offer the scope, insight and balance of this important collection. The Handbook is strongly recommended reading for those entering into or already active in the social protection field.

4.1 References

Social protection for the poor and poorest: Concepts, policies and politics. Armando Barrientos and David Hulme (eds). Palgrave Macmillan, 2008.

5 Book review of Inequality in the Developing World. Carlos Gradín, Murray Leibbrandt and Finn Tarp. Oxford University Press. 2021 ISBN: 9780198863960

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At a time when inequality is ubiquitous as a subject of both academic enquiry and public debate, serious scholarship on the levels, trends and – most of all – on the determinants of those trends in developing countries remains scarce. Inequality in the Developing World, edited by Carlos Gradín, Murray Leibbrandt and Finn Tarp (and published by Oxford University Press as a volume in the UNU-WIDER Studies in Development Economics series) sets out to begin filling that gap.

The volume brings together some of the leading analysts of global poverty, inequality, and development, alongside five sets of experts on inequality in five developing country “giants”, namely Brazil, China, India, Mexico, and South Africa. The book is organized into three substantive parts, bookended by an Introduction (Part I) and a concluding chapter (part V). The three substantive parts are: Part II on “global inequality and inequality within countries”; part III on “inequality in five developing giants”; and part IV on “inequality in a broader context”. This review of the book has two sections: first I briefly summarize and comment on each of the chapters in the book, and then I offer a few general remarks about the book’s overall contribution.

5.1 A summary review of the thirteen chapters

Chapter 1 sets the scene by laying out the structure of the book and introducing the main topics. The first substantive part of the book (Part II: Global Inequality and Inequality Within Countries) consists of three chapters. In Chapter 2, Martin Ravallion seeks to explain the existence of two conflicting narratives on global inequality today: one which claims that the world is becoming ever more unequal, and another which holds that global interpersonal inequality has actually been falling during this century. Although the former narrative might
well be widespread in popular debate, the latter view is dominant in the literature where there is broad agreement that a decline in most measures of global inequality has "recently" taken place, driven by a reduction in inequality between (rather than within) countries.3

Ravallion’s contribution in this chapter is to clearly lay out three main challenges to this dominant view. The first concerns the possibility that the data on which it is based is seriously flawed. He lays out three possible sources of bias: (i) the fact that most surveys do not account for regional differences in the cost of living within countries (which would cause an upward bias in the current numbers); (ii) the fact that most surveys ignore inequalities within households (which would cause a downward bias); and (iii) the fact that household surveys fail to capture high incomes properly, primarily by missing those households altogether (this would also cause a downward bias). Although the direction of the overall bias is theoretically ambiguous, the author argues that “selective compliance with the randomized assignment in surveys” – leading to missing top incomes – is the most serious of the three problems, and that the evidence suggests that the inequality measures that underpin this literature are underestimated, possibly to the point where even the downward trend may be uncertain.

The second and third challenge are both conceptual, and take the data used by Lakner and Milanovic (2016) as given (ignoring the data issues just discussed). The second challenge arises from the fact that the Lorenz curves for the world distributions in 1988 and 2008 – the end-points of the famous “elephant curve” global growth incidence curve – cross twice. It follows that there will be perfectly valid inequality measures that rank inequality as higher in 2008 than in 1988, even taking the data at face value. But these will be inequality measures that show extreme aversion to inequality at the top or bottom tails. Indeed, Ravallion helpfully calculates that one would need an inequality aversion parameter of 5 in the Atkinson class to obtain such a ranking. That is a value well above the range normally used, which is why most relative inequality measures (including the Gini, the two Theil indices and indeed almost any other measure in regular use) do find a decline between 1988 and 2008. Finally, the chapter points out that all of these measures are relative measures of inequality, satisfying the scale invariance axiom. That is, they are invariant to changes in income ratios. This is, of course, a normative choice. A whole battery of alternative measures exist which are invariant to changes in income differences and, by these measures, even with the existing data, uncorrected for any of its possible biases, global inequality has been rising steadily and continuously.

In Chapter 3, James Davies and Anthony Shorrocks – two of the world’s leading experts on international wealth inequality – combine their own wealth distribution data (from the Credit Suisse Global Wealth Report and Databook) with income distribution data from the World Income Inequality Database (WIID) database at UNU-WIDER to investigate changes in the global distributions of both income and wealth.4 The data and methods used to construct the global income distribution here are different than those used in Chapter 2: a synthetic distribution of observations is generated to match differences in means and population sizes between countries, as well as within-country Lorenz curves obtained

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3 Even within this view, there is widespread agreement that global inequality was rising until the late 1980s at the earliest. The beginning of the decline has been dated from as early as 1990 (Bourguignon and Morrisson, 2002) to as late as 2005 (Anand and Segal, 2017), depending on data sources and, in particular, on whether top incomes are adjusted upwards to correct for under-sampling of the rich.

4 Contrary to the promise in the introductory Chapter 1, however, the analysis concerns only the two marginal distributions, not the “joint distribution of wealth and income” (p.7).
from the microdata in WIID. Lorenz curves for country-year cells that are missing in WIID are imputed, although precisely how this is done is not explained. Top tail adjustments are not made to the income data, but are present in the wealth data, and based on the annual Forbes world list of billionaires. Another important difference with respect to the data used in Chapter 2 is that official – rather than PPP – exchange rates are used here. The resulting synthetic datasets cover the period from 2000–2015 for incomes, and 2000–2017 for wealth.

The main conclusions arising from an analysis of these data are that global income inequality did seem to decline (almost linearly) throughout the period, according to three of the inequality measures used: the Gini coefficient, the ratio of mean to median, and the share of the top 10%. This is less true of the fourth measure, the share of the top 1%, which remains mostly flat throughout the period (though it too records a small decline). Wealth inequality is even higher than global income inequality, with a Gini coefficient of around 0.90. For the wealth distribution, there is more disagreement between the different measures: there are declines in the share of the top 10% and in the mean to median ratio, but the Gini coefficient and the share of the top 1% are more stable. Interestingly, the latter rises after the global financial crisis, i.e., from around 2010 onwards.

A number of Shapley-Shorrocks decompositions are presented, and the most interesting ones suggest that the between-country component of inequality fell—for most measures—for both income and wealth, whereas the within-country component was mostly flat for income but generally rising for wealth. Rising within-country wealth inequality therefore played a bigger role in offsetting global convergence than happened for incomes. The analysis also suggests that the share of the top 1% performs rather differently from the other three measures: it is much more sensitive to within-country than to between-country differences, and it reacts to the global financial crisis much more markedly, with important increases since 2010 being driven by within-country dynamics.

Chapter 4, by Daniele Checchi, Andrej Cupak and Teresa Munzi, shifts gears in two ways: instead of wealth, the analysis moves back to income and consumption, and instead of global inequality, we focus exclusively on within-country dynamics. The main contribution of this chapter is to introduce the recently expanded LIS cross-national database, which now incorporates a number of middle-income countries alongside its traditional offering of high-income economies.

The chapter makes three contributions. First it discusses the challenges involved in extending the LIS harmonization protocols to this much wider set of countries. Middle-income countries have different household structures; different labor markets; and different tax and social security systems than high-income economies, and all of these differences had implications for the standardized variables which the LIS Data Center created to harmonize concepts across surveys and enhance comparability. The authors emphasize the importance of consumption data in poorer countries, which is sometimes not even collected in the surveys (that LIS has) for richer countries. They report on various adjustments made to the LIS template in a 2011 revision, which were aimed to allow for some comparability across its now much wider range of countries. These included adjusting the disposable income concept so as include non-monetary incomes; allowances for more complex household types; and changes to employment classifications.

Second, the chapter then reports inequality series for a number of indices for the five BRICS countries: Brazil, China, India, Russia and South Africa, comparing both across income concepts within the LIS dataset (market income, disposable income and consumption), and with disposable income and consumption information from a different database, namely WIID. Substantively, they report reasonably consistent declines (across welfare indicators and inequality measures) in Brazil, Russia and South Africa, and a more mixed
picture in China and India, where at least market income inequality was on the rise. Comparisons with the WIID series are initially worrying, since inequality levels are very different between LIS and WIID – particularly for top shares. Although this is – perhaps surprisingly – not discussed at any length in the chapter, one imagines that these large level differences are due, at least in part, to two LIS practices that contrast with WIID and other data sources used in this volume: the adoption of a square root equivalence scale and, most importantly, bottom and top-coding. Footnote 7 in this chapter tells us that outcome variables in LIS were all top coded at ten times the median “of the corresponding non-equivalized variable”. (p.84). At a time when most analysts are already concerned that there aren’t enough top incomes in our survey data, top coding is no longer a very common practice, or at least not as a blanket measure applied to all incomes above a certain level. In addition, ten times the median income is a relatively low level.\(^5\) Finally, the third part of the chapter presents a number of descriptive correlations and country-level regressions with various macroeconomic and demographic indicators on the right-hand side.

Part III (Inequality in Five Developing Giants), which contains the five detailed country studies conducted by the WIDER-led teams, is the core of the book. Chapter 5, by Marcelo Neri, summarizes five original papers on Brazil, produced by a team of authors. In one of them, an administrative data set from the Ministry of Labour (the matched employer-employee database RAIS) is used to shed light on the full distribution of earnings in the formal sector, thus encompassing a much longer and thicker upper tail than that captured by the standard Brazilian household survey, PNAD. A separate exercise uses published income tax tabulations from the country’s internal revenue service (the Receita Federal) to inform a Pareto interpolation exercise into the PNAD survey-based distribution between 2007–2015. A third paper conducts arithmetic micro-simulations to correct for an egregious omission of the PNAD, namely its lack of information on indirect and direct taxes, as well as incomplete coverage of government benefit transfers. A fourth uses different imputation techniques to impute missing incomes into the PNAD, and a fifth uses data on parental background contained in survey supplements from 1996 and 2014 to investigate changes in patterns of intergenerational mobility and to adjust estimates of returns to education by accounting for family background in Mincerian regressions.

The main conclusion seems to be that the downward trend in Brazilian inequality between 2003 and 2015 (which is partly reversed subsequently, but that reversal is not analyzed here) is qualitatively robust to all of these adjustments and corrections, although the top income corrections using income tax tabulations considerably raise inequality levels and does dampen the magnitude of the decline. Nonetheless, the authors claim, the income share of bottom 60% of the adult population still rose between 2007–2015, even in the combined survey-tax data.

While the author – and his co-authors in the background papers to this chapter – should certainly be commended for conducting a number of important and novel exercises probing Brazil’s recent inequality dynamics, it is nonetheless difficult not to wish that a more systematic attempt had been made to combine or integrate the various disparate exercises. So far as one can tell, the results are reported on a “paper by paper” basis, with limited effort to consider what the various adjustments might imply if taken together.

\(^5\) Chapter 2 reported average mean to median ratios in WIID income data between 3.7 and 6.4, which suggests that the LIS top coding may have affected incomes as low as twice to three times mean income. Surely this implies a substantial understatement of inequality, which would require more discussion and justification than is provided in Chapter 3.
In Chapter 6, Shi Li, Terry Sicul and Finn Tarp present a very polished account of changes in the income distribution of China, based first and foremost on five waves of the Chinese Household Income Project (CHIP): 1988, 1995, 2002, 2007 and 2013. The CHIP data suggests that income inequality rose markedly between 1988 to 2007, with the Gini coefficient rising from 0.38 to 0.49 in the period. It then falls to 0.43 in 2013. The authors argue that this inverted (or recently inverting?) U-curve is a result of four processes, namely: (i) a standard story of structural transition during development, à la Kuznets and Lewis; (ii) a process of transition from socialism to a market economy, in which property has been (partly) privatized and wages and prices are largely set in markets; (iii) the incomplete nature of that transition, which has preserved certain rents for state entities and ample power for local officials to confiscate land and housing, generating large benefits for their cronies; and (iv) the gradual rise in government redistribution, through pensions, targeted cash transfer programs, greater investment in health insurance and public education, etc..

The story in this chapter is eloquently and convincingly told, with frequent reference to exactly the sort of facts and numbers one would like. If the chapter has one shortcoming, it is that it largely ignores the potential threats to the story arising from alternative data sources, two of which are mentioned. The first is the official National Bureau of Statistics (NBS) surveys, estimates from which are presented alongside the CHIP Gini coefficients in Fig. 1. These data also suggest a decline in inequality after, say, 2009, but it is much less pronounced than that in the CHIP data. Second, a reference is made to a new ‘‘top incomes database for China’’ constructed by Li et al. (2018) from ‘‘information about the income and wealth of China’s super-rich…’’ (p.135) Incorporating this data apparently raises the 2013 estimate of the Gini coefficient to 0.60, raising ‘‘questions about the apparent decline in China’s inequality since 2007’’. (ibid.). Yet, beyond these brief early mentions, these two rather important pieces of information that challenge the single observation (CHIP 2007) pointing to a possible inverted U-curve are then largely ignored, as the four narratives that ‘‘explain’’ it are discussed in the rest of the chapter.

Chapter 7, by Hai-Anh Dang and Peter Lanjouw, summarizes a wide-ranging set of exercises probing different aspects of inequality in India. A ‘‘bird’s-eye view’’ draws on five ‘‘thick’’ rounds of the National Sample Survey (NSS), which document a gradual increase in consumption inequality at the national level, driven largely by rising inequality in urban areas. This analysis unfortunately stops in 2011/12, which is the last NSS wave made public by the government of India. Although the authors do not, many others have questioned the motives behind the government’s newfound lack of transparency with NSS data.

Noting that the NSS results are consumption based, the authors also report results on income inequality from the Indian Human Development Survey (IHDS) and from two different studies that try to correct for missing top incomes in those surveys – one using tax data and another using house price data to infer incomes. Although the chapter usefully documents the wide range of inequality measures available for consumption and income in India – from Gini coefficients in the mid-30 s to others in the mid-50 s for comparable time periods – it is silent on what one is to make of the disparities. Instead, the authors note that ‘‘…the results do suggest that debates about levels and trends of monetary inequality in India are unlikely to end soon’’.

While this is perhaps a little disappointing to those who expected the set of papers in this project to make some progress towards settling those debates, the chapter does contain a number of other insights on inequality in India, notably a ‘‘granular view’’ based both on Lanjouw’s longstanding research on the development of the village of Palanpur and on a poverty-mapping exercise using satellite and census data to investigate local levels of inequality across the country. There are also some innovative analyses of mobility, both
within and between generations, which help shed light on the individual income dynamics behind the changes in anonymous measures of inequality. The mobility work seeks to compensate with technical ingenuity for the lack of ideal data and, in some instances, the results are convincing.

In Chapter 8, Raymundo Campos-Vazquez, Nora Lustig and John Scott consider the case of Mexico. Building on and updating their earlier work, they describe three phases in the country’s recent income inequality dynamics: a rise between 1989 and 1994; a decline between 1994 and 2006; and a return to increasing inequality between 2006 and 2014. As in other chapters, the incomplete coverage of household surveys and the ensuing underestimation of top incomes and inequality are acknowledged, but not directly studied; the chapter simply cites results from an attempt to combine survey and administrative data by Alvaredo et al. (2017).

Focusing on the household disposable income trends found in the ENIGH household survey, the authors report on two separate exercises. The first uses only labor income and applies two kinds of decompositions analysis: a RIF-regression à la Firpo et al. (2009) is used to ascertain that changes in returns (rather than in the characteristics of the labour force) account for the bulk of changes in all three subperiods. At the cost of imposing some (production function) functional form assumptions, the second decomposition seeks to allocate those changes in returns to changes in labor demand, labor supply, or institutional factors. They find that unequalizing labor demand forces dominated during 1989–1994, while labor supply effects were more important thereafter. One novel aspect of the analysis – relative to earlier papers by these authors and others – is the extent to which the Mexican labor market suffered during the global financial crisis and its aftermath: labor incomes fell for every quantile of the distribution, and more so for the lowest quarter – leading to increasing poverty and inequality.

The second part of the chapter considers the incidence of taxes and transfers on household per capita incomes during a similar – but not identical – period 1996–2015. The first striking finding is that Mexico’s overall non-oil fiscal effort has continued to be very low for an upper middle-income country, with tax revenues reported to be steady at around 10% of GDP. On the spending side, progress was made in the mid- to late 1990s, notably through the creation of the conditional cash transfer (CCT) programme first known as PROGRESA. As with Brazil’s Bolsa Familia, this CCT achieved a targeting progressivity previously unknown in the social protection systems of these countries. But the magnitude of the progressive non-contributory component of the system was dwarfed by less progressive elements such as public support for contributory pensions.

Chapter 9, by Murray Leibbrandt, Vimal Ranchhod and Pippa Green, examines inequality trends in South Africa since the early 1990s. Crucially, the chapter reports on two papers which combine data on top incomes from the South African Revenue Service (SARS) with (NIDS) survey data. Two aspects of the analysis stand out: first, the increases in the Gini coefficient that arise from merging the data into this “augmented income distribution” (relative to the NIDS data alone) are not very large. The authors report on results using different merging thresholds, but basically find that the survey Gini was 0.82 and the “augmented” Gini was 0.83 in 2011. For 2014, the augmented Gini was actually lower (0.79) than for the survey (0.81). This stands in stark contrast with most of what we have heard from other countries where similar exercises have been attempted (e.g., Blanchet et al., 2018), and raises a number of interesting questions: Is the NIDS survey unusually good at capturing top incomes? Do the SARS Personal Income Tax (PIT) data suffer from particularly egregious underreporting? Is this entirely an artifact of using an income concept – taxable income – for which there are so many zeros (60% in the NIDS, we are told) and which excludes government transfers?
Having provided a glimpse into the extreme inequality – and the continuing statistical uncertainty – that arises when administrative and household survey data are combined, the authors return to the labor market, which they argue remains the crucial arena where income inequality is determined in South Africa. Their results suggest a mixed picture: There was quite reasonable growth in average incomes between 2001 and 2014, and this was accompanied by declines in race and gender earnings gaps. On the other hand, earnings inequality overall rose during the period, driven largely by increases in returns to schooling and, in particular, to tertiary education. There is evidence that changes in the sectoral composition of labor demand (with declining shares of workers in mining, agriculture, manufacturing, and domestic work) contributed to this pattern.

Taxes and transfers are shown to be generally progressive and well-targeted, with the exception of certain tax exemption benefits (e.g. on interest earned on savings and investments). The fact that this relatively progressive tax and transfer system fails to make much of a dent on South Africa’s extreme levels of income inequality and vulnerability (analyzed separately using five waves of the NIDS panel) points to the magnitude of the challenge that continues to face the country as it battles the legacy of Apartheid, a system which had, as the authors note, “a long history of explicitly privileging a small minority of its population and explicitly disadvantaging the vast majority in every aspect of its socioeconomic development.” (p.205).

Having shifted from a global – or cross-national comparative – perspective in Part II to the core country case studies in Part III, the volume then returns to “broader issues” in Part IV (Inequality in a Broader Context). There is more of an ad-hoc feeling about the selection and relevance of these last three essays for the book’s main purpose, but they are nonetheless interesting in and of themselves. In Chapter 10, Andrew Clarke and Conchita D’Ambrosio investigate whether inequality is associated with greater unhappiness (about the present) or pessimism (about the future) across a range of 76 countries, between 1998 and 2015. The main data source are four regional “Barometer” opinion surveys – for Africa, Asia, Latin America and Europe. Dependent variables are categorical and fairly standard subjective wellbeing indicators.

Aside from a set of individual-level controls (such as sex, age, education and employment status), the three main independent variables in the linear regressions are intended to capture the two channels through which the authors argue that inequality may affect individual well-being: comparative and normative. The comparative channel is captured by differences in achievements (or deprivations) vis-à-vis those worse off than oneself (relative satisfaction) or better off (relative deprivation). An alternative specification aggregates these differences into a symmetric measure termed “alienation”. The normative channel is captured by an objective measure of inequality (the Gini coefficient) imported from a different data source – WIDER’s World Income Inequality Database (WIID) – since the Barometers do not capture incomes.

Results are mixed. Only in Europe do the relative deprivation and relative satisfaction variables have the expected negative and positive signs, respectively, with some degree of statistical significance. If one were to take the results at face value, one would also conclude that inequality only harms subjective wellbeing through the normative channel in Asia. Elsewhere, the Gini coefficient is insignificant in the current wellbeing specifications, but sometimes positive in the expected future wellbeing equations – a finding the authors associate with the famed tunnel effect of Hirschman (1973). While these are interesting associations, one wonders whether the results are robust to possible omitted variable biases. Most obviously, could including a country’s average income (e.g., its GDP per capita), change results? This would appear to be what Ravallion’s discussion of the “role of
nationality” in Chapter 2 (Sect. 3.3) suggests. Not to mention that southern Africa, which is considerably more unequal than the rest of the continent, is also generally richer.

Changing gears again, in Chapter 11 Roy van der Weide and Ambar Narayan consider estimates of intergenerational mobility (IGM) in China and the United States, the world’s two largest economies. Drawing on earlier work with other authors, they first provide a snapshot of income IGM across 75 countries, including the US and China. Although the comparison suggests China is still less unequal and more mobile than the US, the authors emphasize how similar they are to each other, in the context of the full cross-section of countries.

The bulk of the analysis, however, is for IGM in education, measured by years of schooling, which the authors estimate from two household panel surveys (the China Family Panel Studies in China and the Panel Study of Income Dynamics in the US) for four cohorts in each country: from those born in the 1950s to those born in the 1980s. The chapter argues that the general picture that arises from these comparisons is one of declining mobility in China (from high levels before the economic reforms) and “stagnating” mobility in the United States. The latter interpretation, however, seems a little at odds with the graphs shown in Fig. 11.3. The authors write that “mobility in the US is increasing by one measure (the correlation coefficient) and decreasing by another (the two measures of relative upward mobility)” (p.267). But Fig. 11.3 shows increases in both measures of “origin-independence” mobility (one minus the regression coefficient and one minus the correlation coefficient), and stagnation or very slight declines in the two measures of rank-movement mobility. Given that the concepts of mobility captured by these two pairs of measures are quite different – the first pair being about origin independence and second pair being about directional rank movement – it would seem that a slightly more nuanced interpretation would have been possible. The second part of the chapter relates these findings to the literature and discusses possible causes for the patterns uncovered and policies that might promote greater mobility in both countries.

In Chapter 12, Joseph Stiglitz suggests that, despite its tremendous success in East Asia over recent decades, a development model based on manufacturing export-led growth is unlikely to serve those developing countries that remain poor, in the future. The main argument behind this assessment is the fact that productivity in manufacturing grows more rapidly than demand for the sector’s output, leading to a global decline in the manufacturing share of the economy. Instead, Stiglitz suggests that countries should adopt a ‘multi-pronged’ inclusive growth strategy, which emphasizes exploring possibilities for developing new sources of comparative advantage across all sectors of the economy. He even provides sub-sections for agriculture, manufacturing, natural resources, and services.

At a general level, the main proposals are very sensible, if not particularly novel: (i) promote a balance between markets, the state and civil societies; (ii) acknowledge that market failures are so abundant that development is simply not possible without effective (and growing) governments; (iii) emphasize learning at all levels and, where possible, promote a move towards economic complexity. The focus – Stiglitz argues – should be on dynamic, rather than static, comparative advantage. In a telling passage, he asks what can the real source of comparative advantage be in a world where capital, technology and even skilled workers are relatively mobile? He answers that it must lie “… most importantly, [in] the

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6 Incorrectly referred to as the “China Family Planning Survey” (p.261).
7 This apparent disconnect between figure and text does detract somewhat from one’s understanding of the main results in this chapter. So, unfortunately, does the fact that axes are unlabeled in a number of figures, which is particularly unhelpful when “mobility” could refer to one of four different measures.
embedded knowledge of society, its institutions and norms, the institutional infrastructure (its political system, and its stability; its rule of law; its systems of checks and balances), its physical infrastructure [...] and the skills, health and discipline of its workforce.” This emphasis on institutions suggests that perhaps the bottom line might not be too different from what we have heard before from Douglas North and, more recently, from Daron Acemoglu, James Robinson and co-authors.8

Chapter 13 (Part V) is a synthesis chapter, where Gradín, Leibbrandt and Tarp offer their summary of the book’s findings and discuss some possible policy implications. They helpfully structure their review of the core five country study chapters into a discussion of data sources (and the importance of triangulating information across multiple sources, given the inevitable shortcomings of each); a summary of trends and drivers (emphasizing the importance of labour market mechanisms); and finally a set of conclusions and policy recommendations. Two conclusions stand out to me: first, that “…there is not a simple ‘grand’ narrative that captures inequality in the same way in all of our five country cases or globally” (p.331). Second, in recounting that in most of the countries studied there was evidence of real efforts to enhance the redistributive role of the state, the editors note that “…even in cases where quite ambitious redistribution programmes and policies were pursued, they have either not been sustained or are yet to make a major dent in inequality of disposable incomes…”(p.333). This leads them to conclude that “to reach higher levels of redistribution, much more remains to be done through the budget, and much more needs to be done beyond the budget, with a direct focus on the roles of assets and wealth”.

5.2 Some final comments on the volume as a whole

By bringing together this superb group of authors and deploying their considerable talents to key questions about how and why inequality is changing in some of the world’s largest countries – as well as globally – the editors of this volume have done us a tremendous service. In my endorsement of the book, I called it a “must-read” volume and I stand by that assessment. I particularly enjoyed the combination of the three “big-picture” chapters at the outset with the five detailed country studies that follow. Although there was, a priori, the possibility of a disconnect, in the event I found that the former nicely set the scene for the country studies and placed them into the context of the dominant narratives about global inequalities of income and wealth. Arguably this worked less well with the second major gear shift, as the volume returned to a “broader context” in Chapters 10, 11 and 12 but, as I noted earlier, at least those three chapters contained enough interesting material individually that they were worth the read, whether or not they fit particularly well in the narrative arc of the volume.

In closing, I offer two final thoughts that the book inspired. First, top income adjustments in developing countries are not an easy matter. Although all case studies sought to address the issue, they did so differently and with varying degrees of success. In the case of Brazil, I was left unclear as to how the effects of incorporating richer income data from the RAIS register of the formal sector compare to those of making imputations from the tax tabulations into the PNAD survey. The Chinese study mentioned using rich lists to

8 But to be fair, the chapter contains plenty of more specific advice that makes eminent sense, for example in the areas of writing contracts regulating natural resource concessions to foreign companies; in the dangers of asymmetric trade and investment agreements; and it the need for a more flexible treatment of intellectual property, so as to enable faster learning in developing countries.
augment the CHIP survey data, but almost completely ignored any such adjustments in the actual chapter. In India, one is left wondering how the house-price based correction procedure, which suggests that there is little, if any, underestimation of expenditure inequality, can be squared with earlier work by Banerjee and Piketty (2005) and Chancel and Piketty (2017), who find evidence of a substantial downward bias in survey-based inequality measurement in India. The South African study was perhaps the most successful in terms of combining microdata from the tax authorities with a household survey and examining the consequences. But even here, a somewhat opaque change in methods on the survey side in 2012 – duly noted but not entirely explained by the authors – means that considerable uncertainty remains about overall inequality trends.

In addition, it is noteworthy that, so far as I could tell, no country study based their work on the determinants of the trends – typically based on different kinds of statistical decompositions – on the distribution obtained by augmenting the household survey with additional data from other sources (tax data, rich lists, house prices, etc.). My understanding is that this is because the “augmented distribution” does not typically contain the usual set of covariates, or at least not for the imputed observations; another issue that needs clearer discussion and additional work. These comments are in no way to disparage the efforts to better account for high incomes carried out under this project. Instead, it is to acknowledge that considerable gaps and challenges remain in our ability to incorporate information on top incomes that are missing from household surveys into our analysis of income inequality in developing countries, and much more work is needed in this area.

Second, I return to the editors’ conclusion that there is no single, simple story about inequality trends that holds uniformly across countries. For example, it is simply not true that inequality is rising everywhere, as one is often led to believe by popular commentators. Not even, as the case of Brazil illustrates, once corrections for missing top incomes are made. In this set of five countries, inequality did appear to be rising in India throughout the study period. In China, it rose substantially for most of the period covered, but the available evidence suggests that it may have declined since 2007–2009. In Mexico, it followed an N-pattern: rising, falling, then rising again, albeit slowly. In Brazil, the decline in inequality up to 2015 seems remarkably robust. In South Africa, inequality is extremely high and appears to have been rising further, but it is unclear how much of the increase is an artifact of changes in survey methods. (And to make matters even less clear, the LIS data in Chapter 4 suggests a decline in South African inequality.)

In all five countries considered in detail in this volume, inequality is now much too high. In none of them have periods of decline, if any, been sufficient to bring it down to anywhere near a level that may be consistent with either fairness or economic efficiency. As the various studies suggest, and as the editors eloquently argue in their conclusions, there is a pressing need for radical new ideas for greater redistribution, to promote a more level playing field and greater equality of opportunities. All of this is true even though inequality is not rising always and everywhere, and that common narrative is neither accurate nor helpful.

5.3 References

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