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## Review of Glenn Firebaugh, *The New Geography of Global Income Inequality*

Mark J. Stern  
University of Pennsylvania, [stern@sp2.upenn.edu](mailto:stern@sp2.upenn.edu)

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## Review of Glenn Firebaugh, *The New Geography of Global Income Inequality*

### Abstract

Glenn Firebaugh's *The New Geography of Global Income Inequality* has a clear thesis that it supports with a mountain of evidence. The thesis can be stated simply: global income inequality, which grew during the nineteenth and early twentieth century, is now declining because of the industrialization of Asia.

### Comments

Reprinted from *Journal of Social History*, March 2008, 2 pages.

*The New Geography of Global Income Inequality*. By Glenn Firebaugh (Cambridge, Mass.: Harvard University Press, 2003. xiv plus 272 pp. \$60.00).

Glenn Firebaugh's *The New Geography of Global Income Inequality* has a clear thesis that it supports with a mountain of evidence. The thesis can be stated simply: global income inequality, which grew during the nineteenth and early twentieth century, is now declining because of the industrialization of Asia.

Firebaugh argues that this thesis flies in the face of conventional wisdom. He cites popular media and the reports of non-governmental organizations as examples of the conventional wisdom that between-nation income differences are increasing. Certainly, he is correct that by focusing on extremes, especially the experience of the "failed states" of sub-Saharan Africa, many observers have lost sight of the central story line: how economic improvements in Asian countries have moved a larger share of the world's population into a global middle-class where before they were part of its lower tier.

The book's conceptual focus is on inequality among individuals, in this case all of the world's individuals. Firebaugh's heuristic is that the total inequality of the world's population can be subdivided into two parts: inequality between nations and inequality within nations. His data analysis demonstrates that between-nation inequality has accounted for more than two-thirds of total inequality. Asia's role in reducing this between-nation inequality is the key to the reduction of total inequality.

Much of the book is concerned with the methodological issues in constructing a data analysis to support this argument. As you might imagine, a thesis that requires consistent data across the entire world population and across two centuries is filled with methodological pitfalls, and the author is more than happy to guide the willing reader through every one of them. Several of these have a slightly broader relevance. He notes the danger of using foreign-exchange rates to examine cross-country comparisons, preferring (as most researchers in the field do) a purchasing-power index. He notes that many analyses treat the nation as the unit of analysis. Because many of the lagging nations of Africa are small and many of the upwardly-mobile nations of Asia are very large (China and India especially), this *unweighted* approach to world inequality underplays the progress of the past half-century. We must weigh our results to gauge world trends.

These two examples are only the beginning of the author's discussion of methodological challenges. At least eight of the book's eleven chapters hinge on a methodological dispute. As a result, the book often reads more like a set of working papers or statistical appendix than a monograph. These sections would be very useful in teaching because they bring out into the sunlight issues that most books stuff into footnotes. They do, however, make it a difficult book to sit down to read cover-to-cover.

Firebaugh's enthusiasm for the methodological issues involved in constructing his data series overshadows his discussion of the theoretical literature on global inequality. First, the author's argument is pitched more toward popular views of global inequality, not the scholarly literature. Indeed, Firebaugh concedes that the two major studies of the late twentieth century "find a downward trend in

global income inequality." (213) Second, by placing his discussion of the theoretical literature *after* the presentation of his method and evidence, Firebaugh has an awkward connection with the literature.

In essence, the book argues that we haven't been complicated enough about measuring inequality, but too complicated in explaining it. A few simple factors—the shift from agriculture to industry in the West during the nineteenth and early twentieth century, the same shift in Asian during the late twentieth century, the end of Communism—explain the bulk of the decline. Fancy dependency, post-industrial, or information society theories often are inconsistent with the data. Firebaugh believes when it comes to theory, it is best to keep in simple. One exception is Firebaugh's discussion of institutionalism, to which he grants some explanatory power.

In contrast to his detailed discussion of between-country inequality, his assessment of the growth of within-country inequality is disappointing. His data analysis indicates that within-nation inequality has exploded in the West. Between 1980 and 1995, the inequality index increased by about 10 percent in Western Europe, 20 percent in "Western offshoots" (the United States, Canada, Australia, etc.), and about 100 percent in Eastern Europe. In Firebaugh's mind, these increases pale in comparison to the between-nation declines. Furthermore, because he attributes them primarily to the rise of service-sector employment, he believes that they too will run their course. His interest in institutionalism on the global scale isn't matched by attention to the impact of the weakening of labor unions and welfare states in the explosion of inequality in Western nations.

In summary, Firebaugh has written a book that will often be cited, but rarely read. His estimates of trends in global inequality are a gift to authors who plan to write about the issue in the future. At the same time, his simple theoretical stance skirts many issues about the economic relationships among and within nations, and the role of politics and institutions in influencing those trends. Finally, by organizing his book as essentially a set of working papers, he has discouraged those who might want to sit down to read the book. These last two points, however, should not diminish the significant contribution this book has made to the field.

*University of Pennsylvania*

Mark J. Stern

*Blame Welfare, Ignore Poverty and Inequality.* By Joel F. Handler and Yeheskel Hasenfeld (New York: Cambridge University Press, 2007. 401pp.).

This highly valuable book is, perhaps, unfortunate in its name. Judging the book by its title, many potential readers might well pass it up in the belief that it is a polemic about the unfairness of American society. Although the title does successfully capture the authors' contention that US welfare policy is focused on mistaken beliefs about welfare recipients, rather than on structural issues of

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