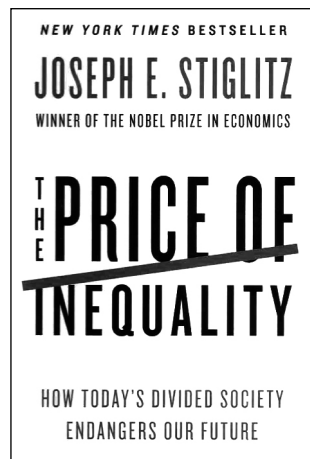


Book review*

Author:	Joseph E. Stiglitz, Winner of the Nobel Prize in Economics
Academic title:	University Professor
Institution:	Teaching at the Columbia Business School, the Graduate School of Arts and Sciences (Department of Economics) and the School of International and Public Affairs
Title:	<i>The Price of Inequality: How Today's Divided Society Endangers Our Future</i>
Year of publishing:	2012
Publisher:	W. W. Norton & Company, New York
Number of pages:	414
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The book entitled “*The Price of Inequality: How Today’s Divided Society Endangers Our Future*” by Joseph E. Stiglitz is one of the four published books covering the topic of inequality in 2012. It contains ten interconnected chapters on 414 pages (including the cover page and the title page). Along with the ten chapters, the book also has Preface, Acknowledgments, Notes and Index. The text is not burdened by graphic elements and, therefore, the book does not contain tables, charts, pictures and diagrams, which may be considered an advantage, but some readers might find it a disadvantage. It is, however, important to note that the manner of presentation of the subject matter in the book is a sort of a methodological approach. Namely, as a rule, the author does not cite his own documentation for each statement, but rather refers to several related scientific studies. Therefore, the book contains about a hundred pages of notes. Such methodological approach in book-writing is quite unique.

The book grew out of events that occurred in 2011 in different parts of the world, in North Africa, the USA and in some European countries, when citizens felt the need to point out “that something is not right and demand changes” in different manners. In civilisation term, Stiglitz equalises 2011 with 1848 and 1968, when

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real revolutions marked the beginning of a new era. The events from 2011 had a revolutionary character in North Africa, and evolutionary character in the USA and Europe. Discontent was mostly expressed by young people being accompanied by their parents, grandparents, and teachers”. In the USA, their motto was “We Are the 99 Percent”.

Joseph Stiglitz deal with one of the burning economic and social problems of modern times which is insufficiently covered by scientists and economists. Economic inequalities become a subject of wider scientific interest only when their social consequences become very evident and almost unbearable. Ultimately, inequalities result in political discontent of the affected, which, in the contemporary world, is a constantly growing group of people. Although Stiglitz primarily focuses on growing inequalities in the American society, he deals with a problem that affects all modern countries equally, and goes even beyond that issue. Whatsoever, he points out that the problem of economic inequalities becomes even larger if it is analysed on the global instead of a national level. Growing income inequalities are one of the largest civilisation problems of the modern time, and this problem has been present for decades.

In the Preface of the book, professor Stiglitz points out that the topic he covers reflects the subject matter he has been interested in since student days. He covered it from the theoretical aspect in his doctoral thesis (dissertation), and his advisors in the writing of the thesis were the great economists Robert Solow and Paul Samuelson. However, he published his first written papers covering economic inequalities with his fellow student George Akerlof with whom he shared the Nobel Prize in 2001. The *Preface* is followed by ten chapters: *1 America's 1 Percent Problem; 2 Rent Seeking and the Making of an Unequal Society; 3 Markets and Inequality; 4 Why it Matters; 5 Democracy in Peril; 6 1984 is Upon Us; 7 Justice for All? How Inequality is Eroding The Rule of Law; 8 The Battle of the Budget; 9 A Macroeconomic Policy and a Central Bank by and for the 1 Percent; 10 The Way Forward: Another World is Possible.*

In the first few post-recession years at the beginning of the third millennium (from 2002 to 2007), 1% of the richest Americans took possession of more than 65% of total national income, and 93% in 2010. At the same time, living conditions of most American citizens deteriorated. American society, which is based on the middle class, started rapidly losing this particular class. This was primarily caused by the fact that those who took possession of the great majority of income did not “gain it by creating new added value, but rather through annuity, i.e. by taking from others.” In the period between November of 2007 and November of 2011, as much as 8.7 million of citizens lost their jobs. Many could not find another job. At the same time, 7 million of new job applicants entered the labour market and there was a deficit of over 15 million workplaces. Only four months later, in March of 2012, 24 million Americans could not find employment. Along with the loss of workplaces,

unemployment also meant loss of health insurance and many people lost their homes because they could no longer repay expensive loans. In the USA, life expectancy is 78, but the poor's life expectancy is 10%, shorter, i.e. they live almost 8 years less than the rich. Many Americans have felt growing insecurity. Their jobs, retirement income, and their homes became exposed to high risk. Young people who diligently studied for years, guided by the idea of the "American Dream" have suddenly been faced with the cruel reality of being unable to use their knowledge and ensure the subsistence minimum. Those who grew up in poor families are increasingly condemned to live in poverty for the rest of their lives.

Professor Stiglitz also points out that the USA has always declared itself a country of equal opportunities. However, in reality, this has become questionable. He provides arguments for the judgement that the market once more displayed all the bad sides of its uncontrolled activities. Market laws do have positive, but also many negative consequences, such as increase in poverty and economic inequalities. As Stiglitz wrote, it is therefore understandable, that three topics i.e. three claims began to resonate worldwide: 1. Markets do not function in the way they are expected by the protestors around the world; it is obvious that markets are neither efficient nor stable; 2. Political systems do not correct market failures; 3. Economic and political systems are fundamentally unjust. Stiglitz rightfully claims that unemployment is a consequence of market inability to generate work for a large number of people and that this is the worst market failure, the greatest source of inefficiency, and the main source of inequality.

The market economy pattern has once again indicated that the strength of the market is huge, but that it is not characterised by the moral component. The market has played the key role in the admirable growth of productivity and living standard in the past 200 years – they have grown significantly in the past two millenniums. However, the fact is that governments have played the decisive role in the process that the advocates of free market do not want to admit, explains professor Stiglitz. If the role of government is left out, i.e. if the economic policy-maker is left out, the market may lead to concentration of wealth. Therefore, it is evident that it should be "tamed" in order to provide benefits to the majority of citizens, which is also the message of the protestors around the world. They want national policies which will promote equality, fairness, and justice.

By this book, Stiglitz, as he himself points out, wants to go into depth of an aspect of the events that happened in the USA. He deals with the questions such as how the USA has become a society of such inequalities, why the opportunities for the broadest masses are reduced, and which consequences might this situation lead to. However, the book also contains a message of hope – an alternative pattern which implies improved balance between market and the state. This pattern must be based on the insights into modern economic theory and historical experience. One of the key roles of the government is redistribution of income, especially if

income realised on the market was too disparate. Professor Stiglitz *de facto* sees the problem in the American system which functions in favour of the richest social group (the top 1%).

Also, Stiglitz considers economic inequalities to be the key factor which disturbs the return to economic growth because it results in insufficient demand. Therefore, this is not a book which covers only inequalities; it also covers the need to revive economic growth. Lack of economic growth is the price of economic inequalities.

Reviewed by

Nada Karaman Aksentijević, PhD, Full Professor
University of Rijeka, Faculty of Economics
Rijeka, Croatia

Zoran Ježić, PhD, Assistant Professor
University of Rijeka, Faculty of Economics
Rijeka, Croatia