Probably Manning's most significant contribution in this book is his insistence, backed by strong evidence, that policy-makers should rely on conclusions that are drawn from thoughtful empirical work rather than blindly subscribe to the predictions of a fragile theory. At least since the days of the negative income tax experiments in the United States, most empirical labor economists, if asked, would have agreed with that sober advice, but the multitude of examples Manning provides makes it less ignorable than ever.

The book is so well written that even the most complicated material in it is readable. The presentation is also commendably well balanced, given Manning's stated intention to change our minds. Nary a theoretical model or empirical result is presented without caveats calling attention to possible theoretical or methodological pitfalls. Not only is this an admirably honest approach, but it also aids in understanding the material.

Graduate students and experienced scholars alike will benefit greatly by considering this book the next time they set out to teach a labor economics course or to write an empirical paper. *Monopsony in Motion* deserves a place on our bookshelves alongside the other seminal works in labor economics.

*Michael Rizzo*
Ph.D. Candidate
Department of Economics
Cornell University

## International and Comparative Industrial Relations

*Inequality around the World.* By Richard B. Freeman. New York: Palgrave (Global at St. Martin's), 2002. xiii, 280 pp. ISBN 0-333-77354-3, $75.00 (cloth).

One way of reading this volume is as a practical illustration of how many different ways one can think about inequality. Because people differ in the reasons why they are concerned with "inequality," there are a variety of possible measures. Because the specifics of definition can matter a great deal, in practice, to measured levels and trends, comparisons of inequality are often complex and occasionally ambiguous. Hence, any study of inequality should begin by specifying *why* it focuses on inequality *of what* and *among whom.*

If an analyst's interest in "inequality" derives from a concern for equity in compensation for work effort, then the distribution *of earnings, among individuals* is the appropriate focus. In this tradition, the book begins with three chapters that discuss inequality in returns to labor—but even among these papers there are significant differences. The first chapter, by Richard Freeman and R. H. Oostendorp, is a cross-national comparison of the inequality between occupations in average wages (pre-tax). It stresses the role of country-specific institutional factors in determining the occupational wage structure and the compressive impact of economic development on average occupational skill differentials (but emphasizes the difficulty in comparing national data sources with different earnings concepts, occupational specifications, and so on). R. G. Gregory's chapter focuses on the trends in individual earnings inequality over time within a single country (Australia) without reference to occupation. M. Manacorda's chapter similarly uses microdata on individual (full-time) earnings and also stresses the role played by institutions—specifically, the method of wage indexation (Scala Mobile)—on wage differentials and the return to education in Italy.

Methodologically, these three papers have little in common, but they do share at least one general moral: that institutions matter for earnings inequality. In particular, Gregory demonstrates that until the mid-1970s, Australia's centralized wage award system generated levels of employment and wage growth similar to those in the relatively unregulated U.S. labor market, and that since 1975 there has been no employment dividend to moving away from the tradition of using labor market regulation to reduce inequality, although there has been a substantial increase in wage subsidies, with associated problems for incentives and public finances.

However, if our interest in "inequality" derives from a concern with economic well-being—in particular, if we are concerned with the contrast between great affluence for some and poverty for many others—then we need to consider all income sources (not just earnings) and recognize that individuals share consumption within families. In this case, the appropriate focus is on inequality *of after tax income, among households.* In this tradition, D. Benjamin, L. Brandt, P. Glewwe, and G. Li concentrate on rural China and the changes in inequality of household income created by the transition to a market-based system. Their general message is the importance of education and the cumulative impact of household savings. M. Szekely and M. Hilgent's chapter has the same focus, but examines a less dramatic set of transformations—those in Latin America in the 1990s. This chapter is the most technically sophisticated in the volume—reporting, for example, a battery of inequality statistics, and calculating the equivalent income of household members under a range of assumptions as to household size economies of scale in consumption.

Although both chapters on household income pessimistically conclude that structural change has probably increased inequality, some will ask, "So what?" One reason for caring about inequality is that it may influence other outcomes. E. Brainerd's chapter addresses the possibility that rising inequality during Russia's economic transition is a partial cause of the astounding increase in mortality among the middle-aged (particularly men) in that country. With the data available, it is hard to draw strong conclusions, but some of her results are suggestive—particularly of the important potential health consequences of large losses in relative economic standing.

A second reason for concern about inequality is the "trade-off" argument—that policies to mitigate inequality may have efficiency costs. F. El Hamidi and K. Terrell's chapter examines the impact of the minimum wage on wage inequality in Costa Rica. They conclude that the minimum wage in Costa Rica both reduces wage inequality and increases aggregate employment (as a monopsony model of labor markets would predict—that is, there is no equality/efficiency trade-off at all). Unfortunately, the book is otherwise short of analysis of the determinants of inequality.

The volume concludes with three essays that are each quite interesting in their own right but not very clearly linked to the empirical trends in "inequality" described elsewhere. A. Falk and U. Fischbacher examine the economics of reciprocity; S. Bowles presents a model of globalization and redistribution; and K. J. Arrow discusses the role of the state. However, there is no attempt at all in this volume to write an overview chapter that might link the disparate contributions—or to caution the reader about the underlying differences in conception of "inequality" that inform the separate chapters.

*Lars Osberg*

McCulloch Professor of Economics
Dalhousie University
Halifax, Nova Scotia

*Making Sweatshops: The Globalization of the U.S. Apparel Industry.* By Ellen Israel Rosen. Berkeley: University of California Press, 2002. 347 pp. ISBN 0-520-23336-0, $55.00 (cloth); 0-520-23337-9, $21.95 (paper).

This book's comprehensive analysis of the globalization of the U.S. apparel industry gives the process a social, historical, and political context that the author pointedly contrasts with the neoliberal economic view of market processes. Rosen meticulously cites statistics that have been presented and interpreted by free trade and protectionist factions, by labor and industry, and by neoliberal economists and their rivals—an illuminating counterpoint, although at times the alternating viewpoints and the sheer volume of data can be head-spinning. She presents historical industry data accurately and thoroughly, with particular attention to trade policy. She identifies three stages in the movement of U.S. apparel production—from its concentration in Japan, South Korea, and Hong Kong in the years immediately after World War II through the 1950s, to the Caribbean Basin from the 1960s to the 1980s, to Mexico, Canada, and the Caribbean Basin in the 1990s, when the North American Free Trade Agreement (NAFTA) was in effect—and discusses how politics and trade policies drove this movement from protectionism to reciprocality to free trade. Rosen asks and answers the question, "Who wins, who loses?" with the movement of apparel (and textile) production away from U.S. factories to developing countries, often in special export-processing zones. Looking particularly at the female garment workers who have lost their jobs in the United States and the women who now sew clothing for export to the developed countries, she concludes that neither these workers nor the economies of the developing countries are winners, as the neoliberal economists argue.

The book can be divided into three sections. The first two chapters present the author's overarching argument rebutting the neoliberal economic paradigm so widely accepted—that outward processing in the apparel industry and free trade are good for the workers, economies, and consumers of both the developed countries that will import the apparel and the developing countries that will produce and export the apparel. That is, according to the neoliberal forecast, the developed countries will lose some production jobs, but workers will gain better-paid and higher-quality employment, trans-