

BOOK REVIEW

Income Distribution

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Educators who believe that Christian college-level programs should be committed to educating and informing students in such areas as poverty, globalization, economic development, and redistribution, might consider utilizing *Income Distribution*, by Fred Campano and Dominick Salvatore. The book integrates both theory and econometrics within a historic framework, providing analytical tools that will enable instructor and students to more clearly understand and define inequality of income and economic depravity, as well as open the door for providing relief to those deprived of basic necessities.

This is not a “Christian” text per se. However, the implications and applications are thoroughly Christian. Pertinent and important questions are posed regarding levels of government intervention and the amount of assistance provided by churches or non-governmental organizations. Apt responses to these questions should be found in business and economics courses generally taught at Christian colleges and universities that integrate and apply a Christian worldview.

The book is intended for advanced undergraduates or graduate students who have had a standard statistics course. “Income Distribution” is international in scope, statistical in nature, succinct yet comprehensive in its approach, and pragmatic from beginning to end. This text could be used as an ancillary in an economic development course, a statistics course, as part of a business ethics class, or in a stand-alone course in economic development or econometrics. The book includes useful software to complete the end-of-chapter problems which cover everything from creating histograms of income distribution to determining the Dagum cumulative distribution function for a country.

Early on the authors confidently and lucidly point out the fallacies of using “headcount” and GDP per capita to measure poverty. They also discuss Sen’s index, which captures the “weak law of transfer;” provide a description of the characteristics of developing countries; argue against using IMF market exchange rates to make cross-country comparisons; and present a thorough critique of Kuznets’ U-Shaped hypothesis.

In chapter 11, “Growth and Poverty in a Globalizing World,” Campano and Salvatore provide the background for a healthy Christian worldview discourse on topics such as importation of labor, outsourcing manufacturing, and creation of back-office operations in Bangalore and elsewhere. The authors also compare the economic growth rates of both globalizing and non-globalizing countries and the effects of each upon income distribution.

The authors survey and provide examples of useful analytical tools including the Dagum, log-logistic, Champnowne, and Singh-Maddala models. On a more elementary level, they depict how to create the Lorenz Diagram and estimate the Gini coefficient. As an added bonus the reader is taken through the process of calculating the Paglin-Gini coefficient where Paglin corrects the Lorenz-Gini in order to adjust for the family life cycle, given that incomes across all families are not the same at one point in time.

The last few chapters outline the different measures of absolute and relative poverty. These topics are then expanded to include the socioeconomic impact of various income redistribution schemes and the utilization of regression analysis to show the relationship of GDP growth and share of income flowing to various quintiles.

Almost everyone would agree that to tell someone “be

warmed and fed” and do nothing about it is not true religion, and that the appropriate response is to provide food, clean water, and clothing to those whose basic needs are not met. We might, however, disagree on the means of treating or solving issues of poverty and inequality. Even within the Christian Business Faculty Association there is not unanimity but rather a lively discourse on what methods are best for solving the issues. The extremes might be to merely tell some to “pull yourself up by your own bootstraps,” to applying various methods of redistribution via government agencies, the World Bank, or social organizations.

Motive, method, and mandate are important and necessary when discussing poverty and how to alleviate it. However, without proper measurement and definition of

poverty and income inequality, we cannot know where and how much to redistribute, to whom, in what form, and whether our efforts in providing tools and education for individuals and groups are misdirected.

“Income distribution issues are the core of almost all economic policies,” according to the authors. I would suggest that while it is not the nucleus of our faith, an active faith will pursue and be engaged in solving issues of economic inequity in our world. Dominick Salvatore and Fred Campano in their book *Income Distribution* give us valuable and valid means of measuring income distribution, allowing us to more effectively, efficiently, and, perhaps, ethically provide the means for an improved standard of living to those in need.

REFERENCES

- Campano, F. and Salvatore, D. (2006). *Income Distribution*. New York: Oxford University Press.