has evolved and, importantly, of how much more work remains to be done. His singular contribution reflects the challenges to understanding how best to address the pressing human issues of our time.

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References


The author claims this slender volume represents the first “comprehensive treatment of the personal distribution of wealth in the modern sense” (p. xi). Michael Schneider has covered numerous sides of the wealth distribution question—from the meaning and measurement of wealth to redistributive policy—with considerable skill and clarity. Be advised, however, that no real effort has been made here (aside from short references to inheritance) to identify and explicate institutional sources of wealth inequality as well as its intergenerational transmission.

Wealth is notoriously difficult to define and measure. Variable definition here (as is so often the case in the social sciences) is conditioned by the availability of data sufficiently uniform so as to enable intertemporal and cross-country comparisons. Schneider’s exclusion of “human capital” from his definition of personal wealth—“the value of tangible assets owned by the individual/household and the net total of the individual/household’s claims on tangible assets” (p. 2)—will raise the hackles of some economists. Is a new-mint neurosurgeon with outstanding educational loans truly less wealthy than a retired bus driver with a paid-off mortgage and $300,000 in pension assets?

Chapter 3 (“Empirical Studies of the Distribution of Wealth”) supplies a valuable primer on techniques used to estimate the personal distribution of wealth for the USA, Canada, Western Europe, Scandinavia, Japan, and Korea. The most common approach, called the “estate multiplier,” begins with estate data gathered for tax pur-
poses or probate inventories (which in a given year cover only a small percentage of individuals) and arrives at population estimates by multiplying each case by the reciprocal of the mortality rate for a person of that specific age and gender. Schneider does not mention that U.S. estimates are biased downward because estate tax records omit wealth held in trust (which is substantial and tends to be concentrated among the very rich). Counting the present value of social security benefits as wealth would make the distribution of wealth appear more equitable, even though wealthier people live longer and thus collect more benefits.

The statistics displayed by Schneider in chapter 3 serve to fortify and embellish a position shared by virtually all social scientists: Wealth is tightly held in the industrialized or developed countries and is distributed more unevenly across individuals (or households) than income (Gini ratios for wealth are typically double those for income). Some highlights: Inland Revenue Statistics indicate that in the year 2000, the top 5 percent of U.K. residents controlled 42 percent of total wealth, whereas the bottom 50 percent held a mere 6 percent. For the USA Schneider relies on the estimates of Edward Wolff and Arthur Kennickell, which are remarkably close for 1983–98. Wolff calculates a Gini ratio for wealth of 0.799 for the year 1995. Kennickell’s estimate is 0.785. Both estimate that the top half percent controlled more than one quarter of total wealth in the USA in 1995. Even in Sweden, the putative model of equality, the distribution of wealth is highly skewed.

The absence of cross-sectional data in this book is disappointing, as these are useful in uncovering important questions as well as forming tentative hypotheses about the causes of wealth inequality. It is known, for example, that the distribution of wealth among women is substantially more concentrated than it is among men. Brittain (1978) attributed this to the low probability of obtaining a large bequest or a wealthy spouse—the primary means by which women accumulate fortunes.

Chapter 4 contains a neat theoretical discussion of the factors that explain differences in wealth between persons. These include variations in earned income, age, thriftiness, inherited wealth, and the rate of return on wealth. There is no attempt by means of econometrics to assess the relative importance of these factors in accounting for real world wealth disparities, though Schneider’s reading of the literature leads him to conjecture that “inequality in the distribution of income accounts for less than half of inequality in the distribution of wealth, that age differences account for only part of the gap between inequality in the distribution of income and inequality in the distribution of wealth, and that non-uniform inheritance makes a significant contribution to this gap” (p. 68).

Chapter 5 is concerned with the principles that might be applied to “rank” alternative distributions of wealth. Schneider declares there is no objective standard for determining if one degree of wealth inequality is superior to another as all such judgments are value laden. The objection might be raised that positive criteria can be found to assess whether a given distribution of wealth is instrumental in achieving social desiderata—for example, cooperativeness or cohesion, innovativeness, full employment, or
macroeconomic stability (in the author's defense, he does examine the equality-economic efficiency trade-off in chapter 7). The author classifies the conservative, libertarian, egalitarian, and utilitarian views as "single value" systems, meaning "judging society by one criteria only" (p. 71). Conservatives resist change because it (ostensibly) threatens to undermine the most sacrosanct of institutions—property. With regard to the egalitarian view, does it mean "equality of welfare" or "equality of resources"? Pursuit of the former fails to allow for "voluntary" inequality. Armayna Sen argues for "equality of capabilities," which is not in every case equivalent to equality of resources: "Equality of capabilities . . . requires some inequality of resources, as in order to have access to the same capability a person who is handicapped, for example, will generally require greater resources than one who is not" (p. 79).

Most JEI readers will derive an unexceptional return on time invested in this work. There is little of direct relevance to the current debate over the repeal of the estate tax, for instance. Schneider's book does offer a beneficial introduction to the topic of wealth distribution for students. It is also appropriate as a basic text in courses covering income or wealth inequality.

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Reference


This is an interesting and stimulating book. It argues that innovation studies have so far neglected an important dimension of the innovative process, which the authors call the interpretive dimension. This refers to managers' capability of bringing together people of different backgrounds (e.g., engineers, product designers, advanced users), engage them in constructive discussions about new products, manage the confusion and ambiguity that may inevitably arise in the interactions between heterogenous agents, interpret such ambiguity, and eventually point to new technological trajectories that the innovative process should lead to. These interpretive capabilities have been neglected by the literature on innovation management, which has so far mostly focused on the analytical dimension of the innovative process.

The analytical dimension is of course important; it refers to the rational problem-solving skills that the actors engaged in innovative activities must necessarily be