

In effect, workers were suffering from a worsening of their terms of trade. This worsening was partly, as Lawrence says, due to the rising price of housing, but it was also due to the rising price of imports, especially oil. Both of these changes may have been reversed in the last year, but the observation points out that a critical determinate of U.S. income, if not of inequality, is our terms of trade with the world. If that worsens, our real incomes suffer.

Lawrence's book does an excellent job of showing the connection, or lack of it, between trade and inequality in the United States. By decomposing the components of inequality, he has also laid the groundwork for him or others to examine what *is* to blame for inequality. But he might also want, in future work, to explore the effects that international trade does have on the U.S. economy, especially on real incomes via the terms of trade.

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Globalisation, Development and Transition: Conversations with Eminent Economists.
By Brian Snowdon. Cheltenham, U.K. and Northampton, Mass.: Elgar, 2007. Pp. xviii, 537. \$210.00. ISBN 978-1-84542-850-1.

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This is a book written in two parts. The first part is a presentation by the author of a survey of issues of globalization, development, and transition. The second part contains interviews with eleven famous economists who have worked on one of these topics: Daron Acemoglu (MIT), Alberto Alesina (Harvard), Padma Desai (Columbia), William Easterly (NYU), Stanley Fischer (Governor of the Bank of Israel), Janos Kornai (Collegium Budapest, Hungary), Michael Porter (Harvard Business School), Dani Rodrik (Harvard), Jeffrey Sachs (Columbia), Xavier Sala I Martin (Columbia), and Jeffrey Williamson (Harvard).

The survey part is not easy to summarize. The chapter on globalization mixes eclectically standard economic analysis on trade and exchange rates with the approach of the World Economic Forum and its Global Competitiveness Index. There is, however, a historical perspective on

globalization that I found the most interesting in this chapter. Unfortunately, there was little on changes in trade theory taking place over the last thirty years. The part on development is also quite eclectic as it mixes growth theory with the economics of happiness and obesity, the Global Competitiveness Index, and the Millenium Development Goals. There was unfortunately nothing on the exciting new research involving randomized program evaluations that gets so many graduate students to spend months in Africa, Asia, and Latin America. The part on the rise and fall of socialism contains a quick overview of socialist economies and even on debates on the third way and a quick discussion of transition issues with the inevitable comparison of gradualism and big bang strategies. It is very difficult to treat all those topics in forty pages.

The second part, which covers roughly two thirds of the book, contains interviews of the above named economists. This is always a fun read because economists explain their work with a minimum of jargon and give a very clear presentation of their ideas. This is also the case here and the book is a quick way to get acquainted with the work of these economists. There is clearly a depth of material present that makes this book worth reading. It is also interesting to see the diversity of emphasis on the big issues of globalization, development and transition by various economists.

I was somewhat disappointed by these interviews because I thought that both the questions and, therefore, the answers are too close to the actual written work of these economists. Professional economists will probably not necessarily learn very much from these interviews but they are useful for a broader public. What people often like in interviews with economists are the "behind the scenes" stories. How was a particular research topic chosen? How did the thinking of the author bring him or her to take this particular approach to thinking about the problem? What were the intellectual and personal motivations? What does one think of this or that evolution in methodology and focus in various fields? One can still learn many things in this book though. For example, Acemoglu explains that he is skeptical about research on culture. Sala I Martin explains why he disagrees with Barro on the same topic

and is skeptical that religion may have affected long-run growth. Similarly, his disagreements with Jeffrey Sachs on the role of geography are very incisive and make for a good read. One does learn quite a bit about and why Padma Desai came to be interested in studying central planning. It is also interesting to read that Stanley Fischer remains pretty unapologetic about the actions of the IMF in the East Asian crisis and still strongly believes it was correct to argue for increases in interest rates. Jeffrey Sachs's comments on the transition in Eastern Europe are also squarely unapologetic. There is not a single word about what he thinks he did wrong or how his views changed with reality. This is in stark contrast with Kornai, for example, who acknowledges that the output fall associated with price liberalization came as a big surprise to the whole profession. Sachs does not even mention the output fall. Having been the main advocate of shock therapy and big bang, he downplays in the interview the debates on gradualism and big bang as academic but goes on later in the interview to explain that gradualism has failed and that the Chinese reforms involved heavy doses of big bang. Williamson's sweeping overview of history and globalization is a very interesting read.

Overall, it is rare to read interviews of economists outside the popular press. It is always a good read because, whether one agrees or not with everything they say, these are very smart, impressive, and influential economists. Therefore many readers will also find these interviews interesting to read.

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Fixing Global Finance. By Martin Wolf. Forum on Constructive Capitalism series. Baltimore: Johns Hopkins University Press, 2008. Pp. xv, 230. \$24.95. ISBN 978-0-8018-9048-2.

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Fixing Global Finance is a revised and extended version of lectures given by Martin Wolf in 2005 and 2006, with some data updated through the end of 2007. In light of the tumultuous events in international financial markets since that time, it is remarkable that the book is a timely and perceptive analysis and commentary on the

international financial system and its evolution up to and including the start of the financial crisis. As one would expect of Wolf, the book is exceptionally well written and much easier reading than most analyses of the global financial system.

The book has two potential audiences. It will be of great value for those wishing to understand many aspects of the current financial crisis, how we got there, and how policy proposals relate to it (I already used it in my course on the international monetary system in the spring of 2009). That audience would include undergraduate and graduate students, policymakers, and the informed layman. The second audience is professional economists: underpinning Wolf's exposition is a strong view as to the underlying causes of the crisis and potential remedies, and it is well worth reading.

Wolf regards global financial flows as highly beneficial but flawed in that "the history of global finance since 1980 has . . . been one of frighteningly expensive financial crises" (p. 1) and "the biggest economic challenge for those who support integration of the world economy" (p. 1).

He, therefore, starts with an overview of "waves of crises," continues with an excellent analysis of the benefits and costs of international financial flows, and then proceeds to discuss how the global financial system might be strengthened.

The "waves of crises" started, Wolf believes, in the 1980s, and continued into the 1990s and the early 2000s. The "subprime crisis" had just become evident at the time of writing. Wolf's underlying analysis is essentially as follows. Until the early 2000s, emerging markets accessed the international capital market to finance part of their development efforts, and most of the time grew rapidly with fast export growth but current account deficits. South Korea's growth experience is one example, but there were many others, including the highly indebted countries of the early 1980s, Mexico in 1994, Thailand, Malaysia, Indonesia and South Korea in 1997, Russia in 1998, Brazil in 1999, and Argentina in 2001.

In all of these (and other) instances, the crises came about when capital stopped flowing in. These "sudden stops" of capital inflows caused massive disruption and were greatly intensified by the mismatch of emerging markets' debt (in dollars and other foreign currencies) and assets (in domestic currency). According to Wolf, leaders in