Book Review: Archawa Paweenawat and Robert M. Townsend. *Inequality And Globalization: Improving Measurement Through Integrated Financial Accounts.* Princeton, NJ & Oxford, UK: Princeton University Press, 2024. 219 pages. Hardcover, $45.00.

The impact of globalization and increasing inequality, among other issues, stoke spirited policy debates. However, often the underlying facts of these debates are doubtful, in terms of accuracy. In *Inequality and Globalization: Improving Measurement Through Integrated Financial* Accounts, Archawa Paweenawat and Robert Townsend propose a remedy for the gap between micro and macro data, making measures of inequality and national income consistent with each other. Paweenawat and Townsend maintain that there is a large gap between micro household surveys, which measure key outcomes such as inequality, and aggregated financial accounts, which measure macroeconomic totals and growth. The authors, therefore, recommend integrated financial accounts, in which the income flows statements, including saving and investment, are consistent with the changes in financial assets and liabilities in the balance sheet at micro and macro levels. The authors further assert that not even the leading U.S. micro household surveys or macro financial accounts meet this criterion.

Based on substantial fieldwork data in Thailand (*Townsend Thai Surveys and Financial Accounts*), the authors show how consistent integrated financial accounts at the individual household and small business level can be created using household and firm survey data. In their explanation, integrated financial accounts, if aggregated to the village level, can link informal narratives of individual households to their financial accounts and document the real impact on them from growth. Hence, Paweenawat and Townsend suggest creating integrated financial accounts for the United States, working from the ground up and the top down. Most countries, including the United States do not have consistent measures of wealth and income. In fact, inequality in wealth has to be estimated.

Furthermore, none of the U.S. micro household surveys are designed such that income statements and balance sheets are consistent with each other. At the macro level, to the credit of the U.S. Bureau of Economic Analysis (BEA, Department of Commerce), Gross Domestic Product is very well measured, just as wealth is well measured by the Federal Reserve Board. A gap emerges in the sense that these efforts typically are not linked. An inter-agency project creating Integrated Macro Accounts would bridge the gap. The single biggest problem stems from the lack of consistent measures of wealth and income. In other words, there is no single data set for income, consumption, and wealth. This book focuses on what can be done with consistent data. Paweenawat and Townsend assert that only with these integrated accounts can policy debates on inequality and globalization claim a solid factual basis. After an introduction, which also doubles as Chapter 1, six other chapters follow.

Chapter 2 (Townsend Thai Surveys and Financial Accounts) outlines various types of household surveys with a spotlight on financial aspects. Household surveys are critical to researchers for understanding household behavior, as well as to governments for designing and assessing policies. Household surveys can be specific and limited to certain issues, but a multi-topic or integrated survey contains a series of questionnaires that encompass multiple topics. The data for this analysis come from the monthly household-level survey, a part of the larger Townsend Thai Project. To construct household financial statements from a household survey, the authors kept in view that several transactions are unique to households in developing economies. For instance, to construct a balance sheet for each household, information on tangible assets and liabilities are needed. Tangible assets include physical and financial assets (income, gifts, remittances, and government transfers), while intangible assets are education, health human capital and other assets that are not tangible.

Chapter 3 (Constructing Community-Level Economic Accounts) focuses on how to create village-level income and product accounts. Two special issues for Village Economic Accounts focused on consumption and labor income. Using tables and graphs, the authors illustrated production, appropriation and saving-investment accounts for both household and village economic accounts. In Chapter 4 (A Model Economy for the Thai Data), Paweenawat and Townsend create, based on Thai data, an econometric model, supplemented with graphs, to understand what happened to regional economies of two provinces, Lopburi and Buriram. Differential occupational compositions lead to different outcomes in the two regions. Specifically, capital-intensive entrepreneurs benefit more than labor-intensive entrepreneurs.

Chapter 5 (Taking Integrated Financial Accounts to the U.S.) evaluates the degree of integration of the U.S. household surveys by comparing the changes in the balance sheet with the flows in the income statement. The United States, relative to other countries, has substantial high-quality data on household economic behavior. Nonetheless, even the U.S. data, the authors argue, were insufficient to inform policymakers to circumvent the 2007-2008 financial crisis. Chapter 6 (U.S. Integrated Macro Accounts) discusses the concept of integrated macroeconomic accounts (harmonization of income statements and balance sheets) by both the Federal Reserve Board and the Bureau of Economic Analysis (Department of Commerce), and to bring these accounts in conformity with the national accounting guidelines.

Chapter 7 (Construction of Disaggregated Integrated Accounts for the U.S.) examines specific concrete steps to remedy the U.S. data shortcomings by creating integrated financial statements and constructing integrated regional accounts. First, the Bottom-Up Strategy is to construct continuous exact cash flows linking the changes in balance sheet line items for assets and liabilities to income and expenditure flows. The authors caution though that collection of household financial data is difficult to obtain for a couple of reasons: low survey response rates and privacy concerns. Second, the Top-Down Strategy is to understand in detail the sources, timing, revisions, and degree of disaggregation used by the Bureau of Economic Analysis and the Federal Reserve Board. The goal of this approach is that focused sampling and survey efforts can reduce relatively large errors and omissions. *Inequality and Globalization* highlights the importance of policy issues, as well as the importance of measurement, the deficiency of U.S. information infrastructure, and what can be done to integrate financial data from multiple sources to provide consistent, integrated financial accounts. Besides easily understandable tables and graphs, a considerable portion of the data analysis is presented, using Econometrics equations. Suffice it to say that the book is not an easy read for those not sufficiently literate in Econometrics or Applied Mathematics.

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