Preface

When I studied economics in the late 1970s at Freiburg University (famous, among other things, for Martin Heidegger’s contribution to philosophy in the 1930s and for the few years Friedrich A. Von Hayek held a chair at the economics faculty during the 1960s), the field of distribution economics was well established. Gerold Blümle, who later supervised my PhD thesis, was then a young professor specialized in this area. He gave courses about personal and functional income distribution and he was not afraid to mention Karl Marx and the project of socialism. All of this was well received by students, a considerable part of them still very close to the left-wing students’ revolution led in 1968 by Rudi Dutschke. Years passed and when I left Freiburg in 1987, the economics of distribution apparently had lost some of its earlier attractiveness. The neoclassical school of rational expectations had conquered textbooks and classrooms. Income distribution, of course, was still there, but it was no longer a subject of significance. Both inequality and equality were not an issue anymore.

Things changed in the new millennium when globalization was finally considered by many experts as a worldwide phenomenon with huge effects on factor and goods’ prices, output and employment. But it was only in recent years that famous economists such as Anthony Atkinson, Joseph Stiglitz and Thomas Piketty, among others, raised the subject of income and wealth distribution in the era of globalization. It was obvious to everybody that globalization had a tremendous impact on income distribution. My impression was and still is that the economics of income distribution – beyond measuring these effects – was not well prepared to address this new challenge. There was almost no understanding of the existence of equilibria in income and wealth distribution that were explicitly chosen by economic agents, unions, firms and in the end by the whole society. Globalization destroyed these earlier equilibria. But we have to understand the mechanics and the dynamics of these equilibria. Only then are we able to assess which new equilibria will most likely and hopefully evolve. This is what this book is primarily about.

This is the right place to thank a number of people who made this book possible. Laura Mann, Chloe Mitchell, Elaine Ross and Harry Fabian from Edward Elgar gave generous help and assistance. I also thank three
anonymous referees chosen by the publisher, who provided useful comments from which I benefited considerably.

Dr Beate Sauer and Martina Meidenbauer (Universität der Bundeswehr München, Neubiberg) helped in designing and depicting numerous diagrams and tables and were successful in their attempt to fight the formatting pitfalls of Word. Dr Markus Grabka (Deutsches Institut für Wirtschaftsforschung, Berlin) generously put at my disposal a number of illustrative data and graphs. I also appreciated the help of my student assistants Florian Pfaff and Sebastian Nabers. Together, we collected and systematically evaluated data on income distribution; we checked the mathematical formulas and the bibliography. I also thank my university (Universität der Bundeswehr, München) and its institutions who gave me the opportunity of six months sabbatical in the winter and spring of 2014. I remember with gratitude the discussions and exchange of ideas I had with Gerold Blümle over the last 25 years. Some of the equilibrium concepts presented in this book go back to some remarkable earlier papers penned by him.

Last but not least, I thank my wife, Heidi, and my daughters, Marie Jeanne and Caroline. They were always patient with me and allowed me to spend many extra hours working on this book.

I hope that readers of this book may feel some of the enthusiasm I felt when working on this subject. If not, then it will be my fault because the cause deserves all our attention.