

KİTAP İNCELEMESİ

Klein, Matthew C. and Pettis, Michael, **Trade Wars Are Class Wars, How Rising Inequality Distorts the Global Economy and Threatens International Peace**, London: Yale University Press. 2020. pp. 269.
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The book provides an understanding of how trade conflicts together with inequalities are created in the global economy. The authors argue that trade wars are a sort of class wars between elites and working-class within countries, which creates further inequalities between social classes in countries, causing slow down in global economy and thereby threatening international peace.

Trade disputes are often understood as conflicts between countries with conflicting national interests, whilst the authors have demonstrated that they are often the unintended consequences of ruling elites' choices to serve the interests of wealthy at the expense of workers and pensioners. Klein and Pettis trace the origins of today's trade wars to decisions made by ruling elites in China, Germany, and the US over the last thirty or forty years. While the wealthy all over the world have become more prosperous, workers can no longer afford to buy what they produce and are even forced to lose their jobs or borrow more. In their book, the authors consistently present how class wars resulting from increasing global inequalities threaten the global economy and international peace, and the measures to be taken to mitigate the trend, with evidence.

The authors show how the US, China, and Germany all experience significant inequality as a result of the current macroeconomic policies. They point to the stifling of wages in China, Poland, and Eastern Europe, which they describe as the "Mexico" of Germany, as well as the general loss of workers' negotiating power, which has widened the wealth difference in these nations. To restructure the home economies of these three major global economic engines—China, Germany, and the US—the authors suggest something akin to a Keynesian reorganization.

This book consists of eight chapters. The introduction to the book states that the increased trade volume between the US and China involves some risks, and as a result, many Americans have been unemployed since 2008. The Chinese government has not only harmed US workers but also workers in its own country by implementing a policy of poor working conditions and low wages. Similar circumstances occurred in the EU, where Germany's consumption of less than what it produces while exceeding that of other EU nations like Greece and Portugal revealed that the "German Pathology" and inequality in the global economy predates those countries mentioned above. In contrast to productive laborers, Europe's elites in the 18th and 19th centuries consumed more than they produced.

While the countries' trade surpluses boost their productive capacities, leading to high savings and trade surpluses in this way, the trade deficits will happen as a result of the productive capacity's inability to meet domestic demand and its inability to grow, which draws foreign investments to the country with rising wages. The measurement of all international economic transactions between the residents of a country and foreign residents is called the balance of payments (BOP). The BOP has three major sub-accounts—the current account, the capital account, and the financial account. Besides, the official reserves account tracks government currency transactions. A fifth account, the net errors and omissions account is produced to preserve the balance of the BOP. When China, Germany and US are analysed, China and Germany have a surplus in both current and financial accounts, while US has a deficit in the current account and a surplus in the financial account.

The world's most important consumer has always been the US. The US financial system attracts investors because of its size, flexibility, and interest in overseas investors. The US is also the largest issuer of safe assets globally. The danger of default on US government debt is low and trading is simple. The US economy is sizable, varied and open. In addition, the dollar is cheaply and easily convertible into any other currency, and it is always accepted as payment by the majority of the world's manufacturers and producers of commodities. These characteristics make US an excellent location for the surplus savings of the world. US were receiving cheap loans from foreigners, and the US financial system reacted by producing new assets to satisfy this demand. The global spending scarcity stems from countries with surpluses. Persistent surpluses are the result of highly unequal income distributions that almost always favour the business and the wealthy. The eurozone is currently the world's largest source of global imbalances. Before 2008, households and businesses in crisis countries such as Spain, Greece, Italy, Ireland and others compensated for the recession in Germany by borrowing heavily and spending more than their income. The US

and other deficit countries can try to deflect these surpluses, but even if they are successful, the problems we identified will remain unresolved.

Strength of the Book:

The book explores the connections between domestic inequality and global trade conflict and offers solutions to the dilemma of globalisation for major economies including China, Germany, the US and others. In this context, statistical information, intricate graphs, economic theory and techniques are used to provide a detailed explanation of the deficits and surpluses in China, Germany and the US, the three major trading nations.

The Weakness of the Book:

The authors by no means explain effects of many problems arising from the COVID-19 global pandemic, environmental and natural disasters, the problem of international migration, global warming, agriculture and food on the global economy and inequality. These phenomena have important effects on the surpluses and deficits of countries. The war between Russia and Ukraine, though having occurred after the publication of the book, has created a far-reaching impact on inequalities both in Europe and the rest of the world. The disruption of the supply chain due to the war breaks down access to some energy and food resources, negatively affecting the region and the world economically, politically and socially. It would be appropriate to address this issue in a revised edition of the book.

Assessment of the book:

The shift of capital or surplus, in the form of foreign direct investment or portfolio investment, to countries with deficits is common in capitalist economies. While these capital owners can make positive contributions to the countries they operate in, they can also be a source of inequality and imbalance because they prioritize their own interests and profitability.

Trying to encourage additional investment through greater savings may not produce desired outcomes due to the "savings paradox." Should an increase in savings not be accompanied by the same amount of increase in investment production will decrease contrary to the expected effect, and thus welfare will be negatively affected. However, this may not be the case for countries with very high production and exports, such as China.

The fact that the US dollar is held as a reserve currency by all the world central banks creates an important privilege for Americans who want to borrow

cheaply. This raises the value of the dollar compared to other currencies. However, for the US working-class affected by trade imbalances, this will be detrimental as US goods become more expensive. “Bancor” proposed by Milton Keynes as the international reserve currency after Bretton Woods could be a solution to the for mentioned problems. However, instead of the proposal of the British Milton Keynes, the US proposal was accepted, which held the economic power at that time, and the US dollar was accepted as the reserve currency. Years later, Special Drawing Rights (SDRs) proposed by Keynes, were accepted by the IMF as an international reserve currency in 1969. However, the US dollar is still accepted and used as an international reserve currency. Despite the ambition of other nations, it has not been possible yet to end US's privileged hegemony. In the following years, I believe that cryptocurrencies will be able to challenge this dominance.

The authors have an optimistic view that class wars can be resolved by ensuring income and consumption justice in countries. However, I believe that inequalities will continue to increase and class wars will become chronic due to uncontrollable macro factors such as war, racism, climate change, epidemics, decrease in usable water resources, earthquakes and floods. However, we need to maintain our optimism for the future of humanity. After reviewing its content and pointing out its limitations, I think this book is a must read for anyone who wants to understand the global economy and mechanisms in its historical development.

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