Branko Milanovic, *Global Inequality: A New Approach for the Age of Globalization* (Harvard University Press, 2016)

Inequality has become a hotly debated social scientific topic again lately. Different authors, depending on their operating paradigms and political inclinations, offer different explanations of and remedies to the rising inequality across the world over the last thirty years. But most would agree that rising inequality is a worldwide problem that needs to be tackled. Inequality is allegedly associated with most crises of our times, from extreme religious terrorism to the rise of right-wing populism. Gone were the days when most economists can comfortably carpet the inequality problem as a short-term side effect of global prosperity that will eventually trickle down.

Despite the wide range of approaches to inequality, few would dispute that Branko Milanovic, an economist from the former Yugoslavia, who used to be the lead economist of the World Bank's research department, is one of the pioneers in the study of inequality under globalization. His prolific writings help establish the standard methods for analyzing global inequality. Though not as much a household name as Thomas Piketty, the author of the widely debated *Capital for the Twenty-First Century*, Milanovic's works in fact show much greater scope and analytical power. He not only focuses on internal inequality among a few developed countries over the twentieth 20th century as Piketty does, but addresses both internal inequality among all countries of the world and international inequality since at least the industrial revolution. He has been also devising new methods to combine the measurement of inequality within- and between-countries in order to assess income inequality among the entire world population.

Milanovic's major contributions summarized above have been presented in many of his previous works, most notably *Worlds Apart: Measuring International and Global Inequality*. For such an accomplished scholar, writing a new book and finding something new to say is a challenging task—a challenge that Milanovic takes on in *Global Inequality*. Readers familiar with Milanovic's work will find most of the arguments and analyses elsewhere. But one strength of the book is that its writing is much less technical compared to his previous papers

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and books. *Global Inequality* is thus much more accessible to non-specialists.

In the book, Milanovic positions the famous "elephant graph" upfront in Chapter 1, illustrating the shift in global income distribution since the 1980s. The shift shows how the deepening integration of the global economy has impacted on global income inequality. In the graph, we see that the wealthiest one percent in the world population experienced a spike in real income of more than 40 percent between 1988 and 2011. This spike on the right side of the graph is the "elephant trunk." But more pronounced in the graph is the spike of a large group of middle-income individuals in the world that gained nearly as much as 120 percent in per capita real income over the same period (Figure 1.3). This global middle class who experienced a rise in income that was faster than the global one percent is composed of the population of China and, to a lesser extent, India. The rise of this broad group of individuals constitutes the elevated "back" of the elephant. In between the elephant trunk and the back is the global upper middle class—or working class in wealthy countries—who saw almost no increase in real income over the course of more than two decades. (Curiously, this group registered a decline in real income in Milanovic's earlier writings on the topic.) Equally left behind are the lowest income earners in the global economy, constituted by the vast population of the poorest countries.

The graph is a beautifully simple visualization of the winners and losers of globalization. The winners are the global one percent whose income mounted as corporate profits in advanced countries rose. Another group of winners are the vast population in China and India that benefited from the massive relocation of manufacturing and business processes to their countries. In addition to the poorest countries in sub-Saharan Africa and elsewhere left out of the globalization process, the biggest losers of globalization are the workers of developed countries, who suffered from an exodus of well-paid manufacturing and clerical jobs to China and India.

In Chapter 2, Milanovic takes a narrower focus to look at the trend of changing within-country inequality, with a focus on developed countries. As the "elephant graph" indicates, populations in advanced countries are mostly divided into a minority of globalization winners with mounting income, and a majority of globalization losers with stagnant or declining income. The resulting surge of domestic inequality is exactly the focus of many inequality scholars including Piketty.

Concerning rising within-country inequality in advanced countries, Milanovic compares contrasting theories of inequality change. First, the classic inverted-U-shaped Kuznets curve showed that as countries industrialized (for example, the UK in the 19th century), income inequality increased when labor moved from the more homogenous agricultural sector to the more differentiated industrial sector. But when education and other human capital spread across the working population, inequality would start to come down—as was the case in most advanced countries in the postwar years. Piketty challenges Kuznets' view by extending the time frame of analysis to the 21st century, showing that the more recent resurgence of inequality cannot be explained by the Kuznets curve. To Piketty, inequality is destined to keep increasing under capitalism, as the rate of increase of capital return always outstrips the rate of increase of wage income. The postwar reduction of inequality in wealthy countries was not a result of any benign process of human development as Kuznets suggests, but a consequence of the world wars that massively destroyed wealth and capital. For Piketty, the incessant rise of inequality is the natural state of affairs under capitalism that can only be checked by anomalous calamities such as wars and natural catastrophes.

Milanovic tries to rescue Kuznets by taking an even longer historical view. By analyzing income inequality data spanning as much as eight centuries for selected countries like Spain, Milanovic claims to discover a Kuznets cycle over a long historical period—although he is well aware of the poor quality of preindustrial historical data on which he relies. He finds that societies with income levels around subsistence level do not show a clear trend towards inequality. Only when the average income of a society rises continuously above subsistence level would surplus start to be concentrated in the hands of a few. As that segment of population commands more surplus than others, it would use its elevated wealth to reproduce its own advantages (by influencing state policy, for example) and concentrate even more surplus in its hands. As a result, inequality will continue to rise once it starts. But when inequality reaches a certain level, the reversal of inequality will inevitably ensue in one of two forms: the malign form of massive civil conflicts or war, or the benign form of inequality-reducing policies by governments and the promotion of literacy and education.

To Milanovic, both the malign and benign checks on inequality are not accidental and external to the inequality process, but are inevitable

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consequences of rising inequality. While high inequality would trigger rebellion, conflicts, and externalization of internal conflicts through wars, the fear of these calamitous consequences of high inequality is the impetus for benign reform that reduces inequality. As such, Milanovic presents us with a less pessimistic view than Piketty, arguing that the reversal of high inequality is built into the process of rising inequality itself.

After the discussion about within-country inequality, Milanovic moves on to address between-countries inequality in Chapter 3. He points out, as many other authors have done, that the recent decrease in between-country inequality is mainly the result of the rapid average income growth of China and India as the two most populous nations in the world. Taking them out of the equation, a high level of inequality between developed and developing countries persists. When it comes to the remedy for this persistent high inequality between countries, Milanovic coins the concept of "citizenship premium." He argues that given this high inequality between countries, what is most important in determining one's income and life chance in the global scale is not what one does, but where one is born. Somebody born as a Bangladesh citizen is highly likely to be much poorer than somebody born as a Swedish citizen, and what he or she does over his or her lifetime actually does not matter much. Asserting that this "citizenship premium" is the most prominent source of income inequality in the world population, Milanovic comes up with a controversial solution to reducing global inequality: the reduction in the citizenship premium by drastically reducing the barrier to migration from developing to developed countries. A poor person born in a poor country will see his or her income and life chance improved substantially if he or she can freely move to a wealthy country. Acknowledging the disruption and anxiety that massive migration from developing to developed countries would bring to both the origin and destination nations, Milanovic suggests that migrants could be denied full citizenship of the destination country and only be allowed to work and earn a higher income there.

This "inequality-reduction-through (partial) migration" proposal is not going to make everybody happy, and not everybody would regard it as being practical. Some might indeed find it a strange proposal. Is the author saying world poverty could be eliminated by allowing all poor people from poor countries to freely work in wealthy countries? Does it mean that Milanovic has already given up the development project that is meant to reduce international inequality and eliminate world poverty by promoting higher economic growth in the developing world? After all, the average income of the vast Chinese and Indian populations rose rapidly in the last three decades not because most Chinese and Indians moved to the global North, but because of the rapid economic development of these two countries.

All in all, Milanovic's *Global Inequality* is a readable and provocative book on the most burning question of our times. Students of inequality who have been following the author's works would not find much in the way of novel analyses and ideas in the book (apart from the long Kuznets cycle based on dubious historical data dating back centuries, and the controversial if not bizarre proposal of inequality reduction through open borders). But it can serve as a broad and effective introduction to the inequality debate for those who have recently become interested in this topic.

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