



Milanovic, B. Global Inequality: a New Approach for the Age of Globalisation (London, 2016)

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Review: Milanovic, B. Global Inequality: a New Approach for the Age of Globalisation (London, 2016)

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Abstract

Milanovic's *Global Inequality: A New Approach for the Age of Globalisation* seeks to create a new model for explaining the patterns in the growth and decline on inequality in the world, remodelling Kuznet's hypothesis to take account of the rise of a "global plutocracy" and wage stagnation in the Western middle classes. In doing so, he has some pessimistic forecasts for the immediate future of the middle classes in the West and makes timely warnings against neglecting income and wealth inequality in favour of 'existential inequality'.

Biography

Sam Tarran is an MA student in History at the University of Birmingham, focusing on political institutions in medieval Europe. His undergraduate degree is from Mansfield College, University of Oxford.

Global Inequality: A New Approach for the Age of Globalisation is not a new book. Despite the fact that it was published relatively recently, it still feels necessary to recount the context in which Milanovic wrote and released it. So much has happened since that it can feel like another world, already part of 'history'. At the time, inequality both within and between countries felt important. The Occupy movement had ended but was still in the mind's eye. The world was just beginning to creep out of the Great Recession. The public of many countries, after nearly seven years of economic decline, wage pressure and austerity policies, were feeling restless. Many, after Occupy, public sector cuts and the (initial) electoral success of Syriza in Greece, thought it would be the political left that would make hay. It is only with hindsight that many now claim that it was historically predictable that the populist right would capitalise.

Milanovic published his book in 2016. Since then, we have had Trump, Brexit, the 'cultural wars' and Covid-19. The arguments over economic inequality now feel traditional and unfashionable. The book is still, therefore, underread, but despite it falling foul of current Twitter trends, it somehow feels timely. Overall, Milanovic's analysis and argument - well-written and engaging as it is - would benefit from a deeper survey of pre-modern historical periods and the world outside the West. He also discusses potential solutions that are politically and socially impossible. Where Milanovic is most interesting is his warning against overly focusing on 'existential inequality', defined as the unequal "legal treatment of different groups" based on factors such as race, disability, sexual preference and gender (p. 226). This, he argues, is unhelpful as it feeds identity politics, splitting the public into communitarian interest groups who, once their own campaigns and needs are sated, will not aid others. This inhibits the collective action needed to create real change and blocks the discussion of the "harder" questions of how to solve wealth and income inequality both domestically and globally. Reducing income inequality, he points out, also helps with gender and race equality, although he does not offer any substantive examples. If Milanovic's point was relevant then, his pleas are urgent now. We have, somehow, forgotten about income and wealth inequality.

Milanovic seeks to analyse inequality on a global level and ‘not as a national phenomenon only, as had been done for the past century’ (p. 2). In this, he alludes to the works of Karl Marx and Adam Smith, a previous generation of political economists who sought explanatory power on a planetary scale. There were, however, other works published post-2010 on this topic. Milanovic himself cites Thomas Piketty’s *Capitalism in the Twenty First Century*, published in English in 2013. There was also Jason Hickel’s *The Divide: a Brief Guide to Global Inequality and Its Solutions*, published in 2017. The Great Recession had also spurred new academic interest in the subject from a historical perspective. *Histories of Global Inequality: New Perspectives*, is a collection of works (edited by Steven Jensen and Christian Christiansen) which seeks to ‘historicise Piketty’. Piketty’s work is reformist, seeking to save capitalism from within by recommending measures such as a global redistribution of wealth, effectively scaling up the tax-and-spend policies of the West. These suggestions were enthusiastically met by some at the time, but their chance of success appears difficult to envision. Witness, for example, the new ‘progressive’ President of the United States threatening sanctions on Britain and the EU for daring to implement new taxes on America’s digital giants. Milanovic is similarly bold in his recommendations, but understandably less optimistic about their success. Despite the many graphs, statistics and discussion of the Gini co-efficient, the work remains very accessible. The language is largely in plain English and the analysis, even for a layman such as this reader, is relatively easy to follow.

From the outset, he sets out themes that, post-Brexit and post-Trump, we recognise instantly: the rise of a global middle class based primarily in Asia, the income stagnation of the middle to lower-middle classes in the West, falling social mobility, and the ‘emergence of a global plutocracy’ (p. 3). Milanovic re-positions the Kuznets hypothesis – that industrialisation leads to higher and later reduced income inequality – as “waves” to take account of our secular stagnation, where periods of intense technological innovation increase inequality before political pressure and educational attainment reduces it again. The technological changes post-1980 have

facilitated the rise of finance and tech billionaires who, through the newfound portability of their skills and capital, have become disconnected from their national polities. Milanovic is cold in his analysis of this group until the final chapter, when he just holds back from condemning the hypocrisy of a global top 10% that produces 50% of world carbon emissions flying in private jets to preach about climate change.

Like many economists and economic historians, Milanovic is most comfortable when discussing his model in the context of periods and countries from which we have plenty of data. His analysis therefore skews modern and towards the US and UK. He is on less firm footing when he moves into the early modern, medieval and non-Western worlds. At one point, he freely uses the term 'capitalist' in relation to cities in the late Middle Ages. He would have been better discussing income inequality and 'surpluses' in the High Middle Ages, when monasteries thrived, guilds were formed, trade increased, fens were drained, and a Latin aristocracy expanded its influence into the former European periphery.¹ Ironically, it was in the following period, in the aftermath of the Black Death, that political agitation among the middling sort began, just as the polities of Europe were starting to expand their bureaucratic reach and depth.² A discussion of these periods and a reconciliation of this apparent contradiction – one may expect agitation to come during the period of greater growth and inequality - to his model would have been illuminating. Instead, Milanovic largely skips straight from the fall of Rome to the 'commercial revolution' of sixteenth century Italy. The skipping of the medieval period and eurocentrism is a common problem in attempts at global histories, particularly those focused on inequality. The sources, unfortunately, are inconvenient. Medieval records can be patchy and incomplete. Records from outside the West present problems of language and cultural interpretation. A collaborative approach is necessary to bridge these gaps, but pressures of time and resources can make this difficult.

¹ See, for example, R. Bartlett, *The Making of Europe: Conquest, Colonisation and Cultural Change, 950-1350* (London, 1994)

² J. Watts, *The Making of Polities: Europe, 1300-1500* (Cambridge, 2009)

Milanovic, from focusing on inequality within countries, moves to inequality between countries. Here, he does not seek to explain why the West is richer than the East, which has been done elsewhere. Instead, he predicts that the fast-growing economies of the Global South, namely in Asia, will soon begin to move through the Kuznets waves in much the same way as the West. In doing so, they will face similar challenges to the West in the nineteenth and twentieth centuries as the middle classes seek enfranchisement. Further, the Citizenship Premium that we in the West currently enjoy for being born in wealthier countries is slowly being eroded as location becomes a less significant factor in one's income potential.

So, what are Milanovic's predictions for the future? He wisely cautions against specific forecasts in Chapter 4, pointing out that economists often extrapolate existing trends in the future without taking account of the unexpected, referencing Taleb's Black Swans, large-scale, often unpredicted events with far-reaching consequences, such as tsunamis or political assassinations. Few writers of the 1970s, for example, predicted the Reagan-Thatcher boom and the collapse of communism. Indeed, some even predicted a convergence between the two, with the Soviet bloc liberalising slightly and the West becoming more statist. He therefore resists specific predictions but does venture some ideas. His belief that the Great Convergence will continue, no matter what happens to China's economic growth, is hardly controversial. He shows, however, that the Convergence is largely an Asian phenomenon, which means global inequality is likely to continue to grow unless Africa also begins to converge.

He is also pessimistic about the future of Western middle classes, who he argues will continue to be squeezed by globalisation, automation, and the more debateable assertion that education has, more or less, hit its quantitative and qualitative limit. As capital and, increasingly, labour become more difficult to tax, his solution is more punitive inheritance taxes to reduce the power of "endowments" and tax policies that encourage share ownership and financial asset ownership among the lower and middle classes. He compares the systems of Taiwan and Canada to illustrate how this approach can be as effective as a traditional tax-and-spend system. In the next

breath, however, he says this is pointless without increased accessibility to quality education, contradicting his own comments on education earlier on.

This, unfortunately, is the pattern of the book: some good economic analysis, followed by political assertions that are often less reinforced by evidence, then proposed solutions that are politically unpalatable. Another example is his proposal to resolve the conflict between the high numbers of migrants and the typical internal resistance to immigrations: implement discriminatory policies against migrants which make clear they do not share the privileges of 'native' citizens. As Milanovic himself intimates, this is unlikely to be accepted by anyone, except, ironically, the migrants themselves. In that sense, Milanovic falls into the classic economist (perhaps, even, academic) trap of proposing 'evidence-based policy' that ignores specific social and political contexts. His predictions for Asian societies may also be helped by a consideration of the local and non-economic forces impacting on politics and demographics in the region. To some extent, we have the benefit of hindsight here. China has continued to grow apace, but its burgeoning middle class seems as compliant and pacified as ever thanks to its continued prosperity and Xi's increasingly aggressive nationalism. This may prevent China moving up its own Kuznets wave any time soon.

His model and his analysis would have greater power and more nuance if it were more greatly supplemented by extended historical discussion of the non-Western and non-modern worlds and the powerful forces that exist outside of economics. Nevertheless, Milanovic's work is comprehensible, sweeping, and at times gripping. Its structure is logical and helpful. He manages to explain complex economic phenomena for a general audience without being patronising. Further, its message – that inequality will continue to exist despite globalisation, and that we ignore it at our peril – feels incredibly relevant as it struggles to cut through the noise of contemporary political fashions.

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