



BOOK REVIEW

GLOBAL INEQUALITY: A NEW APPROACH FOR THE AGE OF GLOBALIZATION

by Branko Milanovic. Cambridge, Massachusetts: The Belknap Press, 2016, + 312 pp., ISBN 978-0-674-73713-6

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In building a civilization the gap in social and economic development has become a disease in the body of the welfare state. The gap emerging from income disparities within and among countries is a structural problematic issue that must be alleviated. Milanovic put himself as the prominent actor in addressing the issues of global inequality and through this book *Global Inequality*, he reaches a new level of scope and views. The book makes readers realize that inequality is not just a national phenomenon, but a global phenomenon to be resolved more seriously. Furthermore, Milanovic emphasizes that globalization is a double-edged sword.

This book is organized into five chapters illustrated by a distinctive infographic. Chapter one discusses the changes in global inequality over the last 25 years. Chapter two details the long term evolution of within-nation inequalities. Chapter three questions the reason for the evolving inequality between countries. Chapter four anticipates the evolution of global inequalities in the future. The last chapter discusses major issues and predicts a possible implication of global inequality.

In the first chapter, Milanovic points out that we are all living in the age of globalization, and he questions who has gained most from this. According to his famous “elephant curve”, he stresses that the economic gains from globalization are not distributed equally. For instance, he mentions that the curve shows the losers of globalization are from the lower middle class of rich countries because of the little growth in real income in the last quarter century. The winners are from the emerging Asian economies, such as China, India, Thailand, Vietnam and Indonesia. Others who substantially gained from globalization are the top one percent or the overwhelmingly rich from rich countries who are known as “the global plutocrats”.

In the second chapter, he discusses Kuznet's hypothesis developed in the 1950s by Simon Kuznet, in which the principal idea is comprehending inequality within countries. This theory explains that when a country undergoes industrialization income grows, inequality relatively increases at first, then declines, which is shown in the form of an inverted U-shaped curve. Nevertheless, this theory is unable to explain inequality in some countries presently. In fact, a scholar such as Piketty debated Kuznet's hypothesis (Piketty, 2014). Scholars who addressed the inequality issues include Atkinson (2015) and Bourguignon (2015).

Milanovic asserts that what kept the hypothesis established was the absence of a coherent alternative explanation for the recent rise in inequality in advanced countries (2016, 47). In addition, Milanovic's innovation on Kuznet's hypothesis suggests that there may be no single Kuznet's curve, but the possibility of multiple curves responding to the new technological revolutions; hence the idea of Kuznet's wave is introduced and this is the strength of this book. Based on the experience in the 1980s, the modification of Kuznet waves is justified based on "a new (second) technological revolution, characterized by remarkable changes in information technology, globalization, and the rising importance of heterogeneous jobs in the service sector, hence this kind of revolution in the experience of 19th century widened the income disparities" (2016, 54). Another interesting discussion in this chapter is the implication of benign forces (i.e. aging population, technological change, social pressure, etc.) and malign forces (i.e. wars, civil conflict, epidemic, etc.), which play important role in reducing inequality in pre-industrial, industrial, and post-industrial society.

Chapter three depicts the rise of global inequality among countries since 1820. In order to perceive the global inequality among countries, Milanovic used the impactful number of household surveys from across the countries to construct Purchasing Power Parities (PPP). By using PPPs Milanovic is able to adjust and to see the real income and purchasing power within a country. Because the underlying PPP's exchange rates are different, it can interpret the differences among countries which is comparable and it is absolutely indispensable for calculating global inequality (2016, 121). Apart from that, the role of "location" and "class" is imperative in determining global inequality. By pointing out the changes in class-based and location-based inequality over time, Milanovic introduced the concept of "citizenship premium" (i.e., those who are born in the right countries) and "citizenship penalty" (i.e., those born in the wrong

countries). Milanovic proposes the idea of open migration policy to reduce inequality with a note that the state (government) treats their people equally. In this particular issue, Milanovic addresses the reconciliation of migration policy tensions. For me, this policy is unsoundly justified, on the inequality-opportunity plane. I concur with the idea that people have their rights to go and improve their welfare within or outside countries. But the skills of immigrants may create a new kind of inequality within the country. For instance, the immigrant has certain skill sets not possessed by the locals; it may diminish job opportunity for the locals. Then, when the immigrant got the job, he will contribute to the new country and less contribute to his home country, if all the people in that country think the same, all of the countrymen will migrate and in the long term the abandoned state will be lost.

Another feature in this book is reflected in chapter four and five, which envision the future. Despite the malign forces at play related to inequality, political changes; progressive taxation, education and skills; dissipation of rents in the early part of the technological revolution; income convergence at the global level; and low-skill biased technological progress will drive down inequality in the future. The key player in realizing the alleviation of inequality is the middle class. This class may limit the power of the upper class, in order to achieve democracy and sustainability by organizing itself and finding a political candidate who could convey their aspirations; although in reality there still are challenges and struggles to overcome.

Milanovic addresses so many important questions and issues to make us understand inequality. The introduction of Kuznet's wave to explain global inequality is innovative. The assertiveness on who benefits when gains from globalization are unevenly distributed among countries is explained comprehensively. In conclusion, Milanovic mainly argues that inequality will be shaped by economic convergence and Kuznet's wave. The strong possibility is that emerging Asian countries may catch up with the West, since the increasing population in the Asian countries will stimulate economic growth. In addition, I think the consideration of religion as part of the endogenous variable will play a role in achieving equality and development, especially for Muslim countries (world) which most of them are underdeveloped because of the institutions that generated evolutionary bottlenecks (Kuran, 2004). However, those institutions may be revisited and re-evaluated empirically with proper methodology. This improvement (Islamic inputs consideration) is in

line with the concept of location-based inequality due to the cultural diversity deep-rooted in the respective cultures. Furthermore, the idea of “citizenship premium” and “citizenship penalty” in the improvement process will be contradicted with the normative values, Islamic teachings, and Islamic worldview as revealed in Islamic sources (*Qur’ān* 42:27, 3:109,127, 11:6, 2:245, 30:37, 65: 2-3). Nevertheless, in my opinion this is a great and insightful book that plays a significant role practically and theoretically in discussing inequality.

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