Global Inequality: A New Approach For The Age Of Globalization

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Synopsis
One of the world’s leading economists of inequality, Branko Milanovic presents a bold new account of the dynamics that drive inequality on a global scale. Drawing on vast data sets and cutting-edge research, he explains the benign and malign forces that make inequality rise and fall within and among nations. He also reveals who has been helped the most by globalization, who has been held back, and what policies might tilt the balance toward economic justice. Global Inequality takes us back hundreds of years, and as far around the world as data allow, to show that inequality moves in cycles, fueled by war and disease, technological disruption, access to education, and redistribution. The recent surge of inequality in the West has been driven by the revolution in technology, just as the Industrial Revolution drove inequality 150 years ago. But even as inequality has soared within nations, it has fallen dramatically among nations, as middle-class incomes in China and India have drawn closer to the stagnating incomes of the middle classes in the developed world. A more open migration policy would reduce global inequality even further. Both American and Chinese inequality seems well entrenched and self-reproducing, though it is difficult to predict if current trends will be derailed by emerging plutocracy, populism, or war. For those who want to understand how we got where we are, where we may be heading, and what policies might help reverse that course, Milanovic’s compelling explanation is the ideal place to start.

Book Information
Hardcover: 320 pages
Publisher: Belknap Press (April 11, 2016)
Language: English
ISBN-10: 067473713X
Product Dimensions: 5.8 x 1.1 x 8.5 inches
Shipping Weight: 1 pounds (View shipping rates and policies)
Average Customer Review: 4.4 out of 5 stars  See all reviews  (11 customer reviews)
Best Sellers Rank: #14,406 in Books (See Top 100 in Books)  #8 in Books > Business & Money > Economics > Income Inequality  #14 in Books > Business & Money > International > Economics  #19 in Books > Business & Money > Economics > Development & Growth

Customer Reviews
Branko Milanovic focuses his thesis on the evolution of global inequality, especially during the past twenty-five years, within the framework of Kuznets waves. Simon Kuznets was thinking that
inequality would decline and stay at that lower level after income became sufficiently high. The Kuznets wave has been going up again in the advanced economies since around 1980. Some emerging economies like China are at the peak of the original Kuznets wave. Therefore, Mr. Milanovic states that it is more appropriate to speak of Kuznets waves or cycles. The first Kuznets wave refers to the transfer from agriculture and rural areas to manufacturing and urban areas. The second Kuznets wave refers to the transfer from manufacturing to services. Technological innovation, the substitution of labor by capital, and the transfer of labor from one sector to another drive each Kuznets wave. Mr. Milanovic clearly reviews the benign and malign forces that drive Kuznets waves. The malign forces, which accentuate global inequality within and across countries, are technology, globalization, the combination of high labor and capital incomes received by the same individuals and households, as well as the greater influence of the rich on the political process. The benign forces that drive down Kuznets waves are political changes, declining skills premium, dissipation of rents, income convergence at the global level, and low-skill-biased technological progress. The United States symbolizes the evolution of the second Kuznets wave in its most extreme form among advanced economies. The hollowing out of the middle class and the rising political importance of the rich mirror the trajectory of the second Kuznets wave in this country. The author does not expect that the peak of the second Kuznets wave will be as steep as that of the first Kuznets wave due to the existence of automatic inequality "reducers" in the form of extensive social programs and state-funded free health and education. To his credit, the author doubts that the benign forces will get the upper hand over the malign forces in the United States anytime soon. Mr. Milanovic also brings to light that the problems with cross-border migration compound those of globalization in the advanced economies. Most European countries have been bad at integrating immigrants into their respective societies compared to the United States. Unsurprisingly, the far right is thriving in many European countries. The author notes correctly that the U.S. presidential contest in 2016 brings to light a widespread dissatisfaction with the growing inequality as well as a backlash against illegal immigrants in the United States. In conclusion, Mr. Milanovic offers a new, useful take on the evolving global inequality by examining it in the context of the Kuznets waves or cycles.

I have a completely irrelevant critique on Milanovic’s new book. I’ll get to it, but first I have to praise him. I read the book based on his blog, which Thoma links to often enough that when I saw that he was talking about a new book to be released, I knew I had to buy it. He’s smart and credentialed and has the resume, but most importantly, he is an engaging writer. It was
when I went to preorder this one that I saw that he had an previous book, so I went and got that one to give me more background. And let me tell you, that other book is a super fun read if you like short vignettes about economics that build towards a larger point - there he was looking at three sorts of inequalities: 1) between countries; 2) between people in countries; and 3) between people globally. Here he does the same thing, and I thinks that since its post Piketty he thought he had to take some of the fun out of it and be more empirical or rigorous or something. Therefore, here’s the non-substantive critique: It was not as fun to read as his earlier book. Which is a horrible thing to say since here I should be looking at his ideas and assessing how he presents the Kuznets Wave he theories and the wealth inequality charts. And that’s there and good and if this were the first book, I read by him I just might be more engaged but it was not and I am apparently not Milanovic’s ideal reader. I read too much in economic history when the economist were telling stories and not having all these clever graphs and charts.

This is a scholarly book about global inequality, that is, “income inequality among citizens of the world.” It is, as Milanovic explains, the sum of all national inequalities plus the sum of all gaps in mean incomes among countries. In his study, Milanovic focusses on the Kuznets hypothesis that in industrialized countries, inequality will initially increase and then decrease, resulting in an inverted U-shaped curve. In recent times, inequality seems to be rising when all the factors indicate that it should have followed the Kuznets curve. Milanovic explains why the projected pattern did not materialise. One can point to the hollowing of the middle class and the rising political importance of the rich, but there are other factors. Milanovic explains the phenomenon through the historical data of the Kuznets curve in countries across the world. This is a learned, but dry and technical treatise on a subject that seems to evade comprehension even by renowned economists and political scientists. That is not to say that Milanovic is a boring writer. This book will be appealing to economic and political science students, but the general reader may find Milanovic’s 2011 book, “The Haves and the Have-nots” more interesting and palatable.