

theories as they are brought to bear upon Eastern European and transnational realities. Helping to achieve this goal are the several very useful tables that match theory and concepts with facts from the case—thus providing a wonderful model for graduate students to follow. I also highly recommend that policy-makers in Brussels and in Berlin read this book so they can finally understand that their prosperity and environmental hygiene comes at a huge cost to the less well off. It is high time that Europe stops treating itself as an exception to worldwide patterns of environmental injustice.

Zsuzsa Gille  
University of Illinois  
gille@illinois.edu

#### References

- Gille, Zsuzsa. 2007. *From the Cult of Waste to the Trash Heap of History: The Politics of Waste in Socialist and Postsocialist Hungary*. Bloomington, IN: Indiana University Press.
- Hann, Chris M. (ed.) 2002. *Postsocialism: Ideals, Ideologies and Practices in Eurasia*. London: Routledge.
- Schnaiberg, Allan. 1980. *The Environment: From Surplus to Scarcity*. New York: Oxford University Press.

#### **Branko Milanović: *The Haves and the Have-Nots: A Brief and Idiosyncratic History of Global Inequality***

New York 2011: Basic Books, 258 pp.

*The Haves and the Have-Nots* deals with the inequality of income and wealth in their many dimensions and in and across different times and different places. For those familiar with Branko Milanović's work, this book might at first glance be mistaken for a popular, non-technical version of the author's landmark contribution to the analysis of global inequality in the era of globalisation, *Worlds Apart—Measuring International and Global Inequality* [2005]. *The Haves*

and *the Have-Nots*, however, is more than that. It is also, as the subtitle hints, a brief history of inequality, expanding the focus also into economic history, the history of economic thought, political philosophy, and even, for good measure, literary history. Although executed as a relatively short collection of non-technical academic essays and freestyle vignettes, it is an important and innovative book and one of the most comprehensive and accessible sources on economic inequality today.

Inequality is a simple and yet slippery concept. It is relational (and hence relative) by definition. In Robinson Crusoe's world there is no inequality until Man Friday shows up. Economic inequality may involve comparisons of income or wealth, between individuals, or social groups, or countries. Milanović considers and explores three main types of inequality. First, inequality among individuals within a country. This is the type most commonly perceived in everyday life and discussed in the internal politics of modern countries. However, defining and measuring interpersonal inequality can be quite tricky, and over time a variety of alternative measurement methods have been developed that attempt to express the potentially infinite income distribution structures as a single synthetic indicator. The Gini coefficient is nowadays well established and most widely used as a proxy for within-country inequality.

Second, inequality among the countries of the world. This is an easy to grasp concept for anyone who has travelled around the world or who simply watches the news—Switzerland and the United States are rich, Chad and Bangladesh are poor, and Turkey and Brazil are somewhere in between. Measuring inter-country inequality is in principle technically less difficult than measuring within-country inequality—it requires 'only' that average national incomes expressed in international monetary equivalents are adjusted for their actual purchasing power.

The third type, global inequality, is the most complex and the least intuitive in today's globalised but movement-restrained world, in which countries are still considered to be the rightful custodians of their territories. Global inequality deals with the inequality among all individuals in the world, ignoring the borders between countries. To measure worldwide inequality requires a combination of within-country and inter-country inequality data. At a global level, such data became reasonably available only a couple of decades ago. Since the mid-1980s it is in principle possible to calculate the world's 'true' Gini coefficient, out of a huge single database representing the incomes of billions of people, including those from the world's most populous nations.

Branko Milanović has spent much of his professional career at the World Bank contributing to the creation of this global database, and then measuring global inequality and interpreting its evolution in the era of globalisation. Now he takes the interested but presumably uninitiated reader by the hand on an adventurous journey through the rich topic of inequality. He effortlessly steps out of the standard presentational confines of his own abstract, dry, and allegedly dismal science of economics into the colourful and diverse worlds of 19th-century bourgeois literature, Roman emperors and their less wealthy subjects, the changing fortunes of Parisian *arrondissements* over time, President Obama's ancestors, the *harragas* of the Mediterranean, modern-era football teams, and much more. The trick of the thought experiment is sometimes used to capture the reader's attention and incite the imagination, encompassing time and space, such as in the vignette trying to answer who was the richest person ever; or in mixing literary fiction and reality, as in the vignettes on love and the money quandaries of two 19th-century literary heroines, Elizabeth Bennet and Anna Karenina.

All these seemingly loosely connected stories with occasional picaresque elements are part of a well-thought design that has a clear purpose—to explain, in a simple and unassuming way and from different but complementary angles, the three concepts of inequality around which the book is organised. At the same time, the book attempts to solve an almost endless number of other important puzzles related to inequality and distribution which Milanović has run across and subsequently tried to understand and solve during his professional lifetime.

What are the forces that determine distribution and inequality in a society? Are the laws determining income distribution natural or dependent on social and economic arrangements? Does inequality increase as economic production expands? These are some fundamental questions in which inequality is the dependent variable. In another set of questions, inequality is the explanatory variable. For example, is inequality good or bad for economic growth? What are the mechanisms behind these results? Does it help, or impede, the investment in human capital, the allocation of resources, work effort, economic governance, etc.?

These questions are positive, but if the evidence is mixed (as, to some degree, it always is) the answers might well be normative. Value judgments and emotions are implicit in any reasoning on distribution and inequality—that's why some purists have wanted the debate on distribution expelled from economics. However, there are outright normative, ethical questions related to inequality. Is inequality unjust? Under what circumstances would greater inequality be socially desirable or acceptable? How should society treat inequality depending on its source (for example, natural abilities, work effort, inheritance)?

The discussion of many of these topics is enriched and enlivened by the author's invocation of some strong voices and ex-

traordinary personalities from the history of economic thought and political philosophy. First comes David Ricardo, who in 1817 famously said that the principal problem in political economy is to determine what laws regulate distribution into the incomes of social classes (wages, profits, and rents). Surprisingly, however, economics had to wait almost another century, beyond the marginalists, before it would move from the issue of functional (interclass) distribution to the issue of individual (interpersonal) distribution.

In 1906, Vilfredo Pareto published his *Manual of Political Economy*, in which, among other things, he claimed that based on an analysis of empirical data he had discovered the law of income distribution: with the increase in a randomly chosen income threshold, the number of people with income above that new threshold drops at a fairly constant rate of 1.4 to 1.5. In other words, income distribution is skewed in such a manner that the mass of the distribution is concentrated to the left, where the poor are, while the right tail, where the rich are, is longer and less dense. In some interpretations, this is called the 80–20 rule. Pareto claimed that his law is universal, and that this distributional inequality remains undisturbed despite the succession of elites, which is also the permanent and natural feature of all human societies. Therefore, any effort to eradicate inequality (for instance, by social revolution) would be futile; even if a new ‘egalitarian’ elite forms, it will soon control exactly the same share of income and social resources that the defeated, presumably ‘anti-egalitarian’ elite once did.

Pareto’s law implies that any reasonably comprehensive measure of inequality, including the Gini coefficient, ought to be stable and oscillate around a certain ‘natural’ constant—in a single country over time, in all countries at one point in time, and in all countries at all times. We now know that this is not true in a cross-sectional perspec-

tive—the Gini coefficient varies across countries in today’s world from 25 to around 65 on a scale 0 to 100. However, in 1954, Simon Kuznets [1955] showed that in a historical perspective Pareto’s law does not hold true. Based on empirical evidence available at the time, he suggested that subsequent stages of a country’s development are associated with different levels of inequality. At very low levels of development, distribution tends to be relatively equal, owing to the need to secure bare existence for all. Early phases of accelerated industrial growth are associated with greater inequality, while in mature capitalist societies wealth is so widespread that the inequality is again relatively low.

Milanović’s own important contribution to the operationalisation of Kuznets’ hypothesis is the creation of a new concept, the inequality possibility frontier [Milanović 2006], which is essentially based on the reasonable assumption that the higher a society’s mean income, the more there is for the ruling elite possibly to take. The inequality possibility frontier was soon after supplemented by the concept of the inequality extraction ratio (in a joint work by Milanović, Lindert and Williamson [2007]), which shows how much of the total surplus above the existence minimum is actually taken in relative terms by the ruling class. Ironically, perhaps these two concepts will ultimately reconcile Pareto and Kuznets.

But what is today’s level of global inequality? Has the most recent wave of globalisation contributed to the rise in inequality, despite all the claims that it should most benefit the poor and developing countries? Has inequality already passed its peak, or will it continue to increase? Milanović’s results show that global inequality is extremely high, with a Gini coefficient of around 70, which is higher than the inequality within any single country in the world. The world has a very tiny ‘middle class’, while its wealthiest 10% receive 56% of global income, and the poorest 10% re-

ceive, not surprisingly, but still disturbingly, only 0.7% of global income. And Pareto's 80–20 rule does not hold either—the income of the top 1.75% of the world population is equal to the income of the poorest 77%!

The impact of globalisation on inequality is uncertain and very difficult to measure because of the almost insurmountable problems in defining this gigantic process (or gigantic artefact) in operational terms. For example, how much of China's fast economic growth (which is one of the main forces diminishing global inequality) can be ascribed to globalisation and how much to the country's development strategy and economic policies, political stability under the 'competent' leadership of the Communist Party, and many other relevant factors unrelated to globalisation? Or, to turn the argument around, how much of the increase in within-country inequality, which is an empirically proven fact in most of the world (including China) in the past couple of decades, can be ascribed to globalisation?

It is safer simply to look at the trends in global inequality in the past twenty or thirty years. They are ambiguous too; no clear direction can be found. Still, the most considerate answer to the question whether global income distribution has become more uneven since the late 1980s is—probably not. The global Gini has been rather stable in the age of globalisation.

Perhaps globalisation is over-rated after all? Perhaps we still live essentially in the undisturbed world of nation-states, and this is good and right, and countries of the world should be left on their own, in their affluence or in their poverty, if they are liberal or at least decent. This is how John Rawls saw international affairs in one of his last books, *The Law of Peoples* [1999], surprisingly limiting his concept of justice and the redistribution rules it implies (the difference principle) to the confines of the nation-state. According to Rawls, the world

should be run in such a way that people do not interact with each other directly but only through their nation-states. Because of that, no direct duties of justice arise between individuals from rich and poor countries. This is precisely how today's world is run—total official development aid to poor countries is less than three out of every thousand dollars the rich world earns.

Milanović is fully aware of the ethical and practical consequences of Rawls' solution and strongly disagrees with it. In his view, global inequality should not remain the concern of a few academics and a political slogan of the radical left. If there is no direct relationship between individuals and no global government, then there is no practical need for a concept like global inequality, since it is based on the idea of all individuals belonging to one common society rather than to their respective nations.

Milanović offers two strong sets of reasons for the institutionalisation of transfers from rich to poor countries, or better still, from rich people in rich countries to poor people in poor countries. The first set is utilitarian—huge income gaps between countries induce socially unsustainable migration flows, contribute to political instability in both immigration and emigration countries, and represent a threat to global human security and global public health, etc. The second set of arguments for lowering global inequality is ethical. As the network of important economic and social relations among world citizens becomes denser, the duty of justice, and hence concern with global inequality and redistribution, is gradually growing. The even stronger, cosmopolitan view proposes that all world citizens have an equal moral value and an equal moral claim on each of us. Therefore, all inequality is essentially global.

Mihail Arandarenko  
University of Belgrade  
arandarenko@yahoo.com