

Book Review of *The Haves and the Have-Not: A Brief and Idiosyncratic History of Global Inequality*

By Branko Milanovic. Basic Books, 2010. pp. 272. ISBN: 978-0-465-01974-8 (hbk).

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Branko Milanovic, a lead economist at the World Bank research department, has been working on inequality for 25 years and is best known for his work on global inequality. Like many broad-minded intellectuals, with age his interests have turned towards history, and in his recent work he has re-examined his long-standing subject from a historical perspective. A break from his academic endeavours, this book is an informative, whimsical, original and highly entertaining history of inequality around the world.

The book comprises three “chapters”, each starting with a short essay which is then followed by seven to 10 short vignettes illustrating the theme. The first chapter, “Unequal People” or “Inequality Among Individuals Within a Nation,” starts with a discussion of a variety of standard topics in the field of inequality: Kuznets’s theory of how inequality evolves during the course of economic development and the rather unsuccessful attempts to verify it empirically; the role of inequality in economic efficiency and growth; the relationship between inequality and social justice; and the measurement of inequality. Though the treatment of each topic is brief, this first essay would be a good introduction for undergraduates to the economics of inequality; graduate students could do worse than follow his Further Readings. For professionals in the field, this piece is also an interesting and—as promised in the book’s title—idiosyncratic read, scattered with quotes from historical figures including de Tocqueville and Plato.

The vignettes that follow in the first chapter are both the most original and the most entertaining. They include analyses of inequality as experienced by the characters in Jane Austen’s *Pride and Prejudice* and Tolstoy’s *Anna Karenina*; inequality in Ancient Rome and 13th century Paris; and prognostications regarding the implications of inequality for stability in China in 2048.

In one vignette Milanovic asks who is the richest person in history, defining wealth in terms of how much contemporary labour he (they are all men, of course) was able to command. Assuming a return of 6 % on wealth, Rockefeller’s income could have employed about 116,000 people in the US in 1937, many more than the 32,000 contemporary workers that the Ancient Roman triumvir Marcus Crassus could have employed. How about Mexico’s Carlos Slim? It depends on which workers we

consider: he can employ fewer US workers than Rockefeller could, but in terms of workers in his own country—which may be the right metric for determining political power—he is probably the richest person in history, able to command the labour of 440,000 of his compatriots. This integration of methodological questions with the data is typical of the book; in this case, it is an elegant illustration of the problem of purchasing power-parity exchange rates, familiar to students of global income comparisons.

Chapter two, “Unequal Nations” or “Inequality Among Countries in the World,” begins with an essay on relative and absolute disparities in per capita GDP around the world. Milanovic notes, for instance, that though both India and China have been narrowing the gap of relative incomes with rich countries, the absolute gap has been growing. To keep up in absolute terms, India’s per capita GDP would have to grow at an impossible 17 % for every 1 % growth in the US. He also points out the failure of neoclassical economics to explain international capital movements, which were supposed to guarantee convergence.

Most of the vignettes that follow concern the fact that by far the most important determinant of a person’s income is the country in which they are born. Milanovic points out that this was not true when Marx was writing in the 19th century: then, Marx was right to see the gap between workers and capitalists within countries as the most important source of inequality in the world. Today, the gap between the rich and poor within countries accounts for a much smaller share of global inequality than the gaps between countries. The poorest 5 % in the US, for instance, are richer on average than the richest 5 % in India.

Several of the vignettes in this chapter discuss the implications of inequality between countries for migration, including a discussion of immigrants from North Africa to Europe that is unusually moving for a book on economics. In “Who are the harraga?” he provides a damning picture of both a cruel Europe that subjects these migrants to inhumane conditions in refugee camps, and the unaccountable and/or incompetent governments of the countries from which these immigrants come which are unable to provide a decent life for their own citizens.

The essay that opens chapter three, “Unequal World” or “Inequality Among Citizens in the World,” provides estimates of total global inequality (a Gini of about 70 % in PPP\$). He notes that the income of the bottom 77 % of the global population is equal to that of the richest 1.75 %, both receiving 20 % of global income. Anticipating his vignette on Rawls’s view of international justice, he provides a short introduction to the political theory of international justice.

The vignettes in this chapter include estimates of where the reader lies in the global income distribution, comparisons of inequality in the US and the EU, and in Asia and Latin America, and a very interesting and innovative analysis of the maximum possible inequality in low-income societies. Milanovic points out that the feasible Gini is bounded by less than one when we account for the fact that incomes cannot be below subsistence. This constrains the ratio of incomes between elites and everyone else. If average income is twice subsistence, for instance, the maximal feasible Gini is 0.5, when everyone except one individual (of measure zero) is at subsistence and that one individual has the remainder. He then defines the ‘extraction ratio’ as the actual Gini divided by this maximal Gini, used as a measure of the extent to which elites extract the total available surplus. In a sample of 30 pre-industrial societies, the average extraction ratio was about 75 %. Out of these 30,

6 have extraction ratios near 100 %, all of them colonies, including colonies of the British, French, Moghuls, and Spanish.

The book's vignettes are based on academic research, as indicated in endnotes and Further Readings, while the casual style makes for easy reading. However, perhaps because of this style, at times the author slips into inaccuracies. Some are notable only to someone in the field, such as his statement that Amartya Sen argues that we should try "to equalize the 'capabilities' of each to enjoy themselves" (p. 21). This is not quite correct—Sen argues that capabilities are the space within which inequalities should be judged, but does not claim that we should in fact aim for equality in this space. More problematically, in his discussion of migration he inadvertently seems to support the "lump of labour fallacy", or the claim that there is a fixed amount of work to go around and that immigrants therefore reduce the number of jobs available for native workers. He is no doubt aware that this is a fallacy but, perhaps just as an unfortunate short-hand for more general and legitimate labour-demand effects, he writes, "It is not only that poor people want to move to rich countries; there must be enough jobs that wait for them there" (p. 127).

Milanovic's take on the many facets of inequality—most of them serious, some entertainingly frivolous—is stimulating and engaging and deserves to be read by all with an interest in inequality, professional or otherwise.