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BOOK REVIEWS

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Book review of: *Global Inequality: A New Approach for the Age of Globalization* by Branko Milanovic. Harvard University Press, Cambridge, Massachusetts, 2016. 320pp. ISBN: 978-0-674737136

JEL Classification: Y30

Who is the richest person in the world? Does the place where you were born have an impact on how much money you will earn over a lifetime? How can we know? Are these questions important at all? In the book *Global Inequality: A New Approach for the Age of Globalization*, Branko Milanovic explains these and other less well-understood theses of wealth that are unevenly distributed throughout the world, both now and throughout the history. Milanovic is a Serbian-American economist and the World Bank specialist in the development, one of the world's leading experts on wealth, poverty and the gap between them.

The author begins with historiography, literature and stories from newspapers and continues to explain one of the largest divides in our society: the one between the rich and the poor. He reveals how truly Anna Karenina earned from her love, how to compare rich Romans with today's super-rich, how we should ponder on Marxism in the contemporary world and in which way the place of birth determines one's assets.

Milanovic is not surprised with a large number of immigrants from the third world countries who risk their lives to boost the domestic life of the first world. A recent survey by the World Bank suggests that "less developed countries of the world, if the migration is free, will lose half or even more of their population." Attempts to mass migrations were barred by the closed boundaries of the developed world, resulting in the deaths of thousands of anonymous poor that on their journey to the Promised Land.

A global survey of households shows that from 1988 to 2008, the real income of the poorest 50 percent of Americans increased by only 23 percent, while even worse results were documented for the poor in Germany and Japan. At the same time, the wealth the one percent of the richest Americans grew by an impressive 113 percent and does not exclude the possibility that they grow even more. "Inequality has risen almost everywhere in the world, except in Latin America."

In his book Milanovic maintains that the poor will continue to strive to become richer, and if they cannot stay at home, they will seek happiness abroad. He also addresses the problem of delamination in the future and how migration can be the answer to alleviating inequalities.

A brief glance at the photography shown in the book, shows the most obvious reduction of the middle class in the US and the UK, however, it remains at a lower level in Western Europe. If the middle class, as it is conventionally done, is defined as those with an income around the median (middle) distribution, then their number is reduced to about one-third of the population in the United States in 1979 to 27 percent today. Also, their shares decrease the total national income from 32 percent to only 21 percent. This process continued and in the times of crisis: the average real income has stagnated so that the layering is now more evident than before.

The author states that the layering is the result of three factors: first, the type of technological progress that valorizes highly educated workforce and owners of capital, secondly, the globalisation of business moves to “cheaper” countries, and third, changes in the fiscal system. Only the latter is subject to possible political decisions. One such decision is to increase taxes and social contributions.

We live in a world of growing political power and influence of the wealthy, who have an interest that the process of globalisation continues. That interest exhibits in developing countries, but they are not voters in the United States or in other wealthy countries. That can lead to a kind of rule of the rich, plutocracy, and continuing globalisation. However, on the other hand, there is a reversed process and dangers of political populism in some countries of Europe which are these days quite clearly seen in the anti-immigration decisions in Switzerland, Britain, France, Italy, Greece, etc.

The book examines the attitudes of the French economist Piketty who produced excellent and quite unambiguous data showing that the number of people who can live well without working is continuously increasing. That is primarily a social and moral problem. It opens pretty uncomfortable comparisons with early capitalism. However, the situation today is somewhat different, because, in addition to high income from capital, there is a very high income from work, which was not the case in the 19th century. In other words, the fact that someone is a capitalist and that their revenues put them into the group of rich, does not make their position as strong as it was a hundred years ago. However, if these negative trends of stratification and inequality continue, this may happen.

The main problem of inequality is based on the taxation of capital income or the wealth. Such action cannot be carried out by any country alone, not even the most powerful as the United States. That would be possible only through collaboration with a group of countries thus acting globally.

The author gives us a view of the whole of Eastern and Central Europe. Objectively speaking, inequality is relatively moderate in this region; even in Slovenia and Slovakia, countries with almost the lowest coefficient of inequality in the world, sensitivity to inequality is quite pronounced, for two reasons. The first is that the previous system, socialism, insisted on equality and I think that is still reflected in the minds of many people. The other reason is that the transition was characterised by blatantly obvious fraud and illegal appropriation of property, so that almost every inequality now is connected with something illegal, almost stealing. The author goes beyond mere entertainment explaining why it is important to discuss the inequalities, since they undermine our economic prospects, and how they can threaten the very foundations of the social order which we take for granted. The bold, interesting and instructive book, *Global Inequality: A New Approach for the Age of Globalization* teaches us not only how to think about inequality, but also why it initially occurs. Finally, we come to ask ourselves whether we are in the 21st century that took place in the 19th century.

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