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Capitalism and Global Income Inequality

A view warped by capitalism dooms the world to more inequality. Oxford geography professor Danny Dorling argues that growing dissatisfaction with capitalism breeds new hope.

- [DANNY DORLING](#)



Burj Khalifa, at sunset. (Photo by GIUSEPPE CACACE / AFP)

REVIEW OF BRANKO MILANOVIC

Capitalism, Alone: The Future of the System that Rules the World
Harvard University Press, 2021

Branko Milanovic's *Capitalism, Alone: The Future of the System That Rules the World* begins, provocatively, with two quotes written roughly two centuries ago that describe our world-system today. The implication is that what began then was not only foreseeable but also largely unstoppable. At the very least, we have known enough about the system for long enough that if we were to have changed the course of events, we would have done so by now. Instead of any

alternatives gaining significant ground, “We live in a world where everybody follows the same rules and understands the same language of profit-making.” The exceptions to this mantra are so trivial that none of them, Milanovic explains, “influence the shape of things and the movement of history.”

This is a bold book. At its core is Milanovic’s long-term interest in collating data on income inequalities. He shows that, as capitalism became all-encompassing, worldwide income inequality rose to a peak in the 1950s and 1960s at the very same time that it was falling locally within most of the richest countries. The beginnings of that localized fall, around 1914, only slightly dented the relentless upward rise in inequality among all people on Earth. However, at some point in the 1990s, global income inequality began to fall abruptly for the first time in centuries. Thus, we begin with a conundrum: capitalism is utterly dominant, but global income inequality is now declining. Milanovic does not see this particular drop in income inequality as a sign that something fundamental may be changing. He views the plunge as mainly a short-term effect of the recent success of what he calls political capitalism in China.

The measure of inequality used here matters. It is the Gini coefficient, which takes the differences among all people into roughly equal account. Had the author instead concentrated on the very poorest, or on the top 1 percent or 0.1 percent, or on both extremes, then the book would have begun with a different story and probably ended with a very different message — one suggesting that we cannot allow current inequities to continue to grow at both extremes. However, because most people worldwide do not fall into either of these extreme groups, by concentrating only on the Gini coefficient, this book presents more of an every-person account of what capitalism produces, for whom, and why. As a result, Milanovic is less damning than he might be. He is not looking for reasons why capitalism should

be challenged or opposed, but instead suggesting that the system will be so resilient that we just need to adapt to it.

Milanovic divides the world into two sets of places: one group of countries where various forms of political capitalism flourish, and another group most dominated by what he terms “liberal meritocratic capitalism.” The extreme examples of both are China and the United States. He adds some nuance to this division when examining how both types evolved into what he sees as their current forms, but the overall aim of his project is to simplify — to help readers see the large forest we live in now rather than spending too much time considering rare and unusual trees, how the forest grew to be, or whether it really can keep growing as fast as it is, using up all the resources it does.

Inequality has increased in almost all liberal meritocratic countries since the 1970s. In *Capitalism, Alone*, Milanovic suggests that this is due to four factors: trade unions can no longer organize dispersed workers; increases in years of education now bring little extra material benefit; the reduction of high incomes by tax is easier to avoid and has been systematically disparaged; and redistribution by government has been similarly discredited. He might have added that government spending on health, pensions, and social care has risen as populations have aged, leaving less to redistribute to those who are poor, especially as the very elderly tend to be drawn disproportionately from the well-off. He might also have added that redistribution and taxing the rich are still popular in opinion polls and have only been rolled back rather than entirely discredited; but he is correct that top tax rates are hardly ever raised nowadays and are much lower than they were, almost everywhere, fifty years ago.

Two policies are advocated for reducing economic inequality in the future when the four classic mechanisms have failed. The first is unsurprising: decreasing the inheritance of money. The second is

more astonishing: diminishing the rights of migrants to gain citizenship so that they are not a drain on the welfare state. The author claims that this would make it easier for welfare states to survive. However, the idea that immigrants are a burden on welfare states is an odd one. Liberal meritocratic capitalist countries with some of the most advanced welfare states, such as Finland, have relatively few immigrants, whereas those with the worst welfare states, such as the United States, have many. More important, it is hard to find evidence of immigrants being anything other than beneficial for the country they arrive in. Migrants are an economic boon. They arrive having already had their schooling and early health care paid for by their home country. Migrants also tend to have more get-up-and-go, not just literally, but when the trajectories of their children and grandchildren are considered. Milanovic paints some groups of migrants as a burden on the places they arrive, but he doesn't present evidence that this is the case — just that this is how they are often portrayed.

It is in regard to migration that *Capitalism, Alone* appears to be most historically blinkered. Little is said about how only migration has allowed ancient cities like Rome and modern ones like London and New York to exist and persist. Nothing is mentioned about the relatively recent choices of economically diverse countries across the European Union to reduce barriers of movement within the EU. No theory is presented as to why passports are such a recent invention, scarcely more than a century old in most places. Instead, to various degrees, implicitly and explicitly, residence permits are promoted as a solution to growing inequality: treating residents differently in terms of civil rights by dint of their immigration status. This would, of course, create even greater racial inequalities within affluent countries than those that currently persist.

Milanovic is an economist, and he puts his views quite bluntly at times, which may be useful in terms of understanding what he actually

believes. For example, at one point he writes of liberal meritocratic capitalist countries:

Because the upper class is not defined according to hereditary or occupational criteria but is based on wealth and education, it is an “open” upper class. It co-opts the best members of the lower classes who are able to become wealthy and highly educated.

The question here, of course, is what he means by “best” (which, unlike the word “open,” he does not enclose in quotation marks). The implication is that these co-opted individuals are the most able, allowing the upper class to constantly refresh itself and maintain its superiority. Dissent from below is also reduced, both by suggesting that anyone can make it if they try and by these co-opted individuals often becoming effective advocates of the argument that there is no alternative.

Capitalism, Alone is at times reminiscent of 1970s and 1980s world-systems theory, especially when its author defines communism as “a social system that enabled backward and colonized societies to abolish feudalism, regain economic and political independence, and build indigenous capitalism.” The sections on China might be of most interest to readers — but what could shock them is the conclusion that we cannot change our current conditions because:

we lack any viable alternative to hypercommercialized capitalism. The alternatives the world has tried have proved worse — some of them much worse. On top of that, discarding the competitive and acquisitive spirit that is hardwired into capitalism would lead to a decline in our incomes, increased poverty, deceleration or reversion of technological progress, and the loss of other advantages (such as goods and services that have become an integral part of our lives) that hypercommercialized capitalism provides.

The problem with suggesting that there is no alternative to hypercommercialized capitalism is that it implies that, because the

author cannot imagine an alternative, an alternative cannot exist. A different conclusion might have looked at the potential limits of exponential economic growth, at where in the world (outside of the United States and UK) things are beginning to be done differently, and asked whether factors such as the abrupt decline in income inequality the author began the book by highlighting may be portents that suggest something fundamental is already changing.

Milanovic suggests that for capitalism to end, someone would have to come up with an alternative that would both work and be agreed upon. However, that is not how capitalism began, and so it need not be how it ends. When capitalism began in Europe, commenters were at first shocked by what was occurring. In the early seventeenth century, René Descartes (on the dockside in Amsterdam) wrote, “In this great city where I am living, with no man apart from myself not being involved in trade, everyone is so intent on his profits that I could spend my whole life without being seen by anyone.” Three generations later, long after capitalism had become established, arguments such as Bernard Mandeville’s Fable of the Bees began to be proposed and popularized to explain the unplanned transformation — a self-serving justification made by those who had profited most. Milanovic suggests that:

One cannot hope to maintain [material advantages] while destroying the acquisitive spirit or dislodging wealth as the sole marker of success. They go together. This may be, perhaps, one of the key features of the human condition: that we cannot improve our material way of life without giving full play to some of the most unpleasant traits of our nature. This is, in essence, the truth that Bernard Mandeville gleaned more than three hundred years ago.

But did Mandeville glean a truth, or did he instead create a selfish fable, an untruth about the human condition that has now fallen in popularity?

The current two-decade-long fall in global income inequality — the first since capitalism began — suggests that something significant is happening. Today, I could write the following true statement: “In this great world where I am living, with hardly any people profiting more than marginally through trade, everyone is so concerned about the state of the world and the future of their children that I can now spend my whole life meeting no one who thinks this is how we should live.” I could point out that a majority of people in the United States and UK expect their children to be worse off than them and that this is new; or that in the most equitable countries in the world, such as Finland, people are also the happiest. I could explain that in some of the most inequitable nations, such as Chile, children and university students have overthrown what appeared to be an unbreakable orthodoxy. I could describe the waves of environmental protest that have exploded in almost every country on Earth in the last twenty years; the rapidly widening understanding of colonial exploitation and racism; the increasing skepticism about the sustainability of economic growth; and the heartfelt desire of so many for their children to live better lives with less work, less destructive consumption, and more leisure. I am old enough to remember that these were all no more than fringe issues two decades ago. But I cannot tell you what will happen next. I can only point out that so much is now happening that ignoring all these changes is foolhardy.

The conclusion to this book is hidden a few dozen pages before its end. Milanovic dismisses the idea that people might wish to pursue more leisure time in the future, partly because “Their children would be angry at them for preferring to lead lives of leisure and idleness rather than making sure that the children had all the gadgets that their peers enjoyed and attended the best and most expensive schools.” Is that a verifiable claim or a mere impression? Milanovic’s thinking here is warped by capitalism and his position in it. Is there really a trade-off

between leisure and well-being? Is a school good because it is expensive? Are children made truly happy by always having the latest gadgets?

Milanovic goes on to suggest that, in any country where leisure time increased, foreigners would (and should) come in to buy the most expensive property, citing the case of central Venice. However, for anyone who has experienced the smell of sewage in Venice in the summer, or its hordes of tourists, the question they might ask is, “What are the global rich actually buying when they buy up central Venice other than temporary prestige and a few new temporary friends?” The parts of those towns that the very rich buy up, they spoil — any sense of community dies, fences are heightened, and people with more sense look to live elsewhere.

Ironically, *Capitalism, Alone* ends with a partial realization of this contradiction of capitalism: that making a place or a school or a commodity desirable for its exclusivity and thus expensive actually spoils it. The author recounts that he lives in a very affluent part of New York, a neighborhood with such a high turnover of residents that, after being away for a couple months, he returned and found that the people in the restaurants he frequented and the neighbors in his apartment building had all changed: “New people had appeared who treated me (understandably) as a complete stranger. When this happens, you do not have much incentive to behave ‘nicely,’ to send signals of cooperative behavior, because you know that these new people too will soon change.”

The alternative, if you are rich enough to have a choice, is to choose not to live in such an expensive part of New York (or central Venice), where your neighbors are always changing; is not to frequently go away for a few months at a time (most people cannot); and not to assume that everyone else calculates and thinks like you do. It is

perhaps because they do not that, when told there is no alternative, an ever-growing number of people may refuse to believe the preachers of such messages. The winners, the cheerleaders for capitalism, are not happy. They were far more sure of themselves in the recent past. The inequality that propels the system has been falling worldwide for two decades, and it is also falling within those countries where the cheerleaders are least believed. The system is changing, but that change has only just begun. Because we cannot see the future, there will always be a few who argue that what we have is the best we can expect. However, never before have so many people been so dissatisfied with what we have, what we have become, and where we are heading. You must have an incredibly dismal view of both human agency and human nature to believe that we will continue to live in the future much as we live today, or to believe that the accumulation of personal wealth will forever be the key marker of individual success.

ABOUT THE AUTHOR

Danny Dorling is professor of human geography at University of Oxford. His work concerns issues of housing, health, employment, education, and poverty.