



# Observations on Branko Milanovic's Visions of Inequality

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# A Long-term Perspective

- **History of how economists across two centuries have thought about inequality**
- **Focus on 6 key thinkers for whom inequality (in some sense) was an important (if not necessarily central) concern**
- **Goes from Smith and Ricardo via (outlier) Marx and (non-economist) Pareto to Kuznets and then (implicitly) Piketty**
  - **With brief mentions of Marshall, Keynes along the way**
- **Could have said more about economics 'mainstream' from Ricardo to 1950s, neo-classical through Keynesian, and how distribution featured/was understood, to provide context**

# The Analytical Framing

- **In a sense simplest for Quesnay with 3 classes distinguished legally in France at the time**
- **But these did not correspond one-to-one with income/wealth position - some rich bourgeoisie and poor nobles**
- **Or to income by source – nobles involved in trade, merchants owned land**
- **Also pronounced income inequality within capitalist and working classes**
- **So ranking purely by income or wealth as economists mostly do now both reveals and obscures (incl. what ‘elite’ is)**

# Disappearing Inequality

- **Discusses why inequality studies went into the eclipse after ~1960s**
- **“Eclipse of inequality studies in ... capitalist societies was due to the politically-motivated need to minimize the importance of economic class; also to ... theoretic turn in neoclassic economics, funding of research by the rich”**
- **‘Eclipse’ relative to when exactly? – 1950s, 1930s, 1900s, 19<sup>th</sup> C?**
- **Evidence to support claims and allow relative importance of 3 factors to be assessed?**
- **How can we pin down relationship between developments in academic economics and external drivers?**
- **Role of economic context mentioned but not given sufficient weight**
  - **income inequality declining, labour share stable/rising, real incomes and living standards improving in many of these countries**

# Inequality Studies During the 'Eclipse'

- **Could say more about what those who paid little attention to income inequality thought about its role and drivers**
  - **expanding on brief discussion of key textbooks**
- **Characterises significant strand of the research that did focus on distribution as 'Mere empirics' while valuing data produced**
- **But much of this was driven by interest in underlying processes (as potentially revealed by differences across countries and over time, or their absence)**
- **Slights focus on 'episodes' as lacking 'big picture narrative' but these can be more revealing of underlying structural drivers and importance of contexts/policies than misleading 'Grand Narratives'**
- **Interesting discussion drawing on Sahota's "7 types of income distribution theories" merited more than footnote!**

# The Resurgence of Interest in Inequality

- **Why resurgence of interest in inequality – and from when?**
- **Dominance of USA in driving common narratives and academic economics fashions could be given more weight**
- **‘Capital is back’ – but earnings are still key for most households, so understanding evolution of real wages and distribution of earnings still core task**
- **Piketty’s theoretical framework – stimulating, but how much follow-through and likely future influence?**
- **Piketty’s data contribution at least as influential so far, but can stand without that underlying framework?**
- **Still debating ‘the facts’ about US inequality trends**
  - **DINA arguably has served so far to obscure as much as it reveals?**

# Looking Forward

- **“Integrative means: (i) having a narrative, (ii) a theory, and (iii) empirical verification”**
- **Complexity of going from individual -> household plus greater complexity of households and their income sources mentioned but could be given more weight**
- **Integrated theory of inequality now has to combine analysis of individual-level wages with incomes from capital, pensions, transfers plus how individual recipients with different income ‘packages’ cluster in households and behave jointly**
  - **much more complex than ‘breadwinner’ earnings**
- **Inequality studies must include difference in power politically**
  - **must economists be political scientists?**
    - **Why do economists try so hard to appear “above the battle”?**