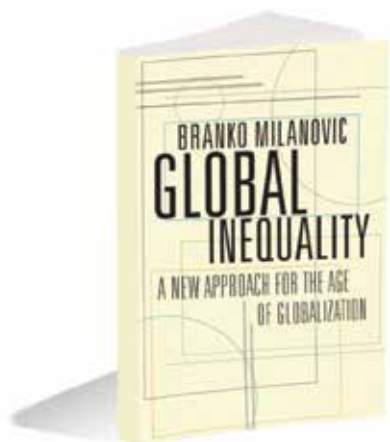


Winners and Losers



Branko Milanovic

Global Inequality

A New Approach for the Age of Globalization

Harvard University Press, Cambridge, Massachusetts, 2016, 320 pp., \$29.95 (cloth).

From assessing inequality in the Byzantine Empire to musing over where people fall on the global distribution of income, Branko Milanovic has made a name for himself as an innovative thinker in this field. Even before Thomas Piketty made it cool, he was using Jane Austen vignettes to explore historical patterns of inequality.

Milanovic's new book does not disappoint. He starts by identifying the winners from "high globalization"—the middle classes in emerging Asia and the global super-rich. The big loser is the middle class in the developed world. He notes that as inequality rises within countries, it is falling between countries—showing no real evidence of rising *global* inequality.

Some have used this point to dismiss inequality concerns. Milanovic does not. He acknowledges that future trends are unclear. If convergence does continue, within-country inequality may well dominate once again, much as it did in the 19th century, making class more important than location. Milanovic is also well aware that the nation state remains the locus of political deliberation.

The book's longest chapter is, therefore, devoted to within-country inequality. He seeks to partially rehabilitate Simon Kuznets from Piketty's critique by proposing a "grand theory" of inequality—what he calls "Kuznets waves" of alternating increases and decreases in inequality. He traces the first Kuznets wave over the century and a half ending in the 1980s, when the second wave began, jump-started by many of the same factors as the first—technology, globalization, and pro-rich economic policies.

But this explanation might be a little too tidy. For a start, it is not clear that reducing technical change to two technological revolutions is accurate. Others, for example, have emphasized four to six technological waves since the late 18th century.

And although he gives an extensive account of the benign and malign forces that reduce inequality, Milanovic is a bit murky on the wave's turning point. He argues that inequality becomes unsustainable, but doesn't fall on its own—it leads first to wars, social strife, and revolutions. This is the story he tells about World War I—he actually endorses Lenin's theory that it was driven endogenously by imperialist expansion. But what does this portend for our own times? Milanovic takes us to the precipice, but then pulls back. And strangely enough, he barely even mentions one of the greatest malign economic forces of the 21st century, climate change, which could spell catastrophe for income distribution both within and between countries.

Milanovic is on stronger ground when he reflects on the current zeitgeist. Especially in the United States, he sees little scope for reversing the "perfect storm of inequality" in an era when capital is highly mobile and the rich dominate the political system. His policy prescription for our predicament—focused on equalizing endowments, especially in terms of ownership of capital and education—warrants serious consideration.

But what else? Milanovic is a bit too sanguine about the financial sec-

tor, which contributes massively to inequality while adding little social value. Curbing the power and scale of this sector would help with both inequality and financial stability. And perhaps the time has come for a Piketty-style tax on global capital, which would of course require significant global coordination.

The big loser is the middle class in the developed world.

Milanovic also includes a timely discussion of migration, even if his suggested proposal in this area leaves questions unanswered. He advocates expanded migration, but with "legally defined relatively mild differences" between domestic workers and migrants. It doesn't require high deontology to see the red flags raised by this. The problem is that Milanovic's ethical frame of reference, like that of too many economists, is cramped. For example, he dismisses the mistreatment of guest workers on the grounds that they are still better off than if they had stayed home.

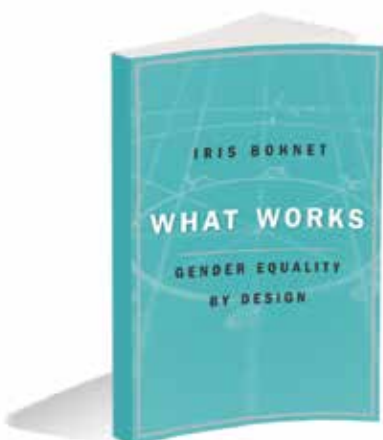
More generally, the ethical issues raised by inequality are still missing from the debate. This needs to change largely because economists tend to subordinate distributive justice to efficiency. Our conversation about inequality would benefit greatly from reflection on such questions as what constitutes fair allocation of resources, what we owe each other in a globalized world, and what characterizes a good society.

On the whole, Milanovic's book is highly recommended. It's an easy and enjoyable read. And its manageable length proves that serious analyses of inequality need not run to 700 pages!

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This Works



Iris Bohnet

What Works

Gender Equality by Design

Harvard University Press, Cambridge, Massachusetts, 2016, 400 pp., \$26.95 (cloth).

I was struck by my reaction to Iris Bohnet's promise in the closing chapter of *What Works* that "we can reduce gender inequality." It evoked the image of Rosie the Riveter, iconic symbol of female empowerment, saying, "We Can Do It!" The immediacy of my response was a potent reminder of how ingrained our subconscious biases can be.

Bohnet elegantly and expansively demonstrates how such biases can be obstacles to gender equality. What sets her approach apart in an increasingly crowded field of gender-equality literature is her use of behavioral design to offer practical—and often intuitive—solutions.

What Works takes full advantage of the expanse of recent gender analysis and literature. Bohnet begins by reminding us of the biases that surround us and recapping the business case for gender equality. She recounts the value of increased female labor force participation for productivity, income, and economic growth, among others.

That is not to say *What Works* is just a compendium. Far from it. The majority of the book focuses on weaving together the many strands of the gender debate, producing a rich and

interconnected narrative of the barriers to progress that biases present. And of these biases she even laments that "depressingly, unlearning is basically impossible." That is where behavioral design comes in, as "the most useful and underutilized tool we have."

Many of the individual strategies and policy actions called for in traditional debate seek to induce a conscious response that will help promote inclusion. We're asked to "lean in," adopt a "*consider-the-opposite* approach," or be "more deliberative" in considering diversity issues. Bohnet recognizes the benefits but also the pitfalls of these approaches. Not because she considers diversity training bad or gender targets wrong. But because the environment does not always lend itself to these interventions and actions being effective. We succumb to our biases.

Bohnet illustrates this point well. Inaction or inertia can undermine the need for a conscious response. One such example, albeit not gender focused, is the greater success of opt-out than opt-in retirement saving plans. (Most of us are too lazy to opt in!) And measures intended to promote inclusion can even have the opposite effect. For example, studies show "diversity training" programs may lead to *moral licensing*, where people feel more aware and are thus less likely to consciously apply the knowledge acquired.

Bohnet posits that smart behavioral design can foster an environment that helps minimize the reflection of those biases in our actions. This, she says, is preferable to relying on explicit action to counter those biases.

An example of such design was the Boston Symphony Orchestra's decision to audition musicians behind a screen. Similar "blind" auditions were soon adopted by other orchestras. The share of female musicians in top U.S. orchestras grew from 5 percent in 1970 to more than 35 percent today.

By design, this takes gender out of the equation, allowing men and women to play and be heard equally,

without the albatross of gender. Bohnet offers numerous examples in which "electronic" screens or anonymization can be used in a similar way in recruitment and people management.

Bohnet's focus is the interactions between different aspects of behavioral design—using data analytics to target behavioral change, establishing norms to reorient behavior rather than enable moral licensing, structuring groups to avoid "tokenism" and enable diversity to add value. Yet, in aggregate, the goal is to create a large-scale change "to close gender gaps in economic opportunity, political participation, health and education."

Biases can be obstacles to gender equality.

What Works is not an easy read, particularly if you want to appreciate all it has to offer. At times, it can be heavy going—dense with data, facts, illustration, and imagery, a book that shouldn't be devoured all at once. It is best absorbed and mulled over in several sittings.

The true value of Bohnet's contribution is not in the minutiae, no matter how instructive and insightful. More inspiring is how she integrates so many different theories and data points. Then, rather than getting lost in the complexity, she uses her refrain—the promise of behavioral design—to deliver practical and actionable design suggestions.

In closing, Bohnet suggests that a "good leader is a behavioral designer." And that is perhaps the aspect of *What Works* that works best. Bohnet is no cheerleader. She leads through demonstration and design, leaving readers better equipped to find solutions that work, so we can each contribute to making a difference.

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