

Visions of Inequality: From the French Revolution to the End of the Cold War

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The book by Professor Branko Milanovic, entitled “Visions of Inequality: From the French Revolution to the End of the Cold War” follows inequality from the point of view of economic population and distribution over a period of about 200 years. The evolution of economic thought begins with the scientific work of François Quesnay, followed by Adam Smith, David Ricardo, Karl Marx, Vilfredo Pareto and Simon Kuznets. The book is a scientific study, but also an interesting read, which depicts inequality throughout the centuries in an interesting and colourful way. What is more, inequality is the topic that professor Milanovic has been dealing with for decades.

So this is a historical approach to income distribution, so the account does not involve a normative approach, but there are a lot of empirical data included. In the scientific literature, the historical approach is little used. In Milanovic’s opinion, the best studies on income distribution combine narration, theory and empiricism. Here, data from the past are processed in a modern way. In writing this book, the author used a large number of references, processed a large number of texts, where the literature on Marx alone had over 120 volumes. The same is true of Adam Smith. In their works, they mention a special type of racial exploitation. When Pareto is added, the work by the three authors cover economics, political science, sociology, philosophy, anthropology and epistemology. However, for the majority of authors, the study of inequality predominant involves men, not women or disadvantaged groups. Only in Quesnay, Marx, Ricardo and Smith, inequality is a class phenomenon. ‘Milanovic’s book represents a credible and scientific contribution to the study of inequality issues, as interest in these increased with the beginning of the 21st century. The book abounds in graphs, formulas, tables and quotes from the mentioned scientists, which, with the help of the author’s interpretation, should complete the narrative presentation of the understanding of inequality. The data from Milanovic’s book are important for economic science, but also for social sciences in general.

The book contains a Prologue (pp. 1–30), followed by seven chapters, of which the first six bear the names of the mentioned authors, namely: Chapter One: François Quesnay: Social Classes in a “Rich Agricultural Kingdom” (pp. 31–46); Chapter Two: Adam Smith: “Progress of Opulence” and an Implicit Theory of Income Distribution (pp. 47–81); Chapter Three: The Ricardian Windfall: David Ricardo and the Absence of the Equity–Efficiency Trade-off (pp. 82–105); Chapter Four: Karl Marx: The Decreasing Rate of Profit but Constant Pressure on Labor Incomes (pp. 106–162); Chapter Five: Vilfredo Pareto: From Classes to Individuals (pp. 163–188); Chapter Six: Simon Kuznets: Inequality during Modernization (pp. 189–216). Chapter Seven is entitled “The Long Eclipse of Inequality Studies during the Cold War” (pp. 217–286) and ends with “Epilogue: The New Beginning” (pp. 287–297). The chapters are followed by the Notes (pp. 299–335), Acknowledgments (pp. 337–339) and Index (pp. 341–359). The works of these economists deal directly or indirectly with income inequality or income distribution.

François Quesnay (the founder of political economy with the Physiocrats) studied inequality because it was very high in his time (Chapter 1). According to Quesnay, the goal of economic activity was the production of surpluses. Physiocrats introduced for the first time in economics the delimitation of the principle of economic class. “It is important to note that the only capitalists in the physiocratic system are the tenant-farmers who rent the land from the landlords.” (p. 40).

Furthermore, Adam Smith (worked as Commissioner for Scottish Customs, considered as development economist), wrote *The Wealth of Nations* as a sceptical observer of economic life and social customs (Chapter 2). In his time, England and Scotland were developing economies, and inequality was very high. Observed in today’s units, it was in the range of 45 to 51 Gini coefficient. In addition to inequalities, he was interested in rent, profits and wages, and according to him, the prosperity of the largest class of workers and peasants was an indicator of the economic success of the state. He believed that high wages and low interest rates were the most desirable for a society that wanted to advance economically. “He was mainly interested in the three components that make up the ‘natural price’ (rent, profit, and wages) and his theory of distribution and the attendant class structures emerged as the byproduct of price formation.” (p. 61).

As for David Ricardo, from the very beginning of his scientific career, he was troubled by the issues of growth and distribution (Chapter 3). For him, three classes were important in the *Principles*: workers, capitalists and landowners. Ricardo advocated bourgeois production insofar as it meant the unlimited development of the social product. This does not mean that Ricardo denied raising the standard of living in the upper class. For him, there was no limit to the employment of capital as long as it brought any profit. “The best we can do to make it consistent is to argue that Ricardo foresaw an increase in real wages over the long term as society became richer, but for the purposes of his analysis, and as a practical matter, he preferred to assume that real wages were constant.” (p. 99).

Karl Marx also deals with issues of poverty and inequality, with which he wanted to describe the reality of the capitalist society (Chapter 4). In his time, inequality was pronounced in Britain, while in the late 19th century Germany, inequality was increasing. For Marx, equality was only a political concept, and the true meaning of the proletarian demand for equality was the abolition of classes. For Marx, there were three classes: landowners, workers and

capitalists. Workers were divided into two categories, landless peasants and proletarians. The last class was that of the lumpenproletariat – unemployed beggars and vagabonds. The mentioned classes were the basis for income distribution. “Marx’s theory of exploitation is an integral part of his theory of distribution.” (p. 121). Thus, Marx’s interest in wages and the reduction of the profit rate is highlighted here. In doing so, Marx defines two types of work, complex and simple work.

When one speaks of Vilfredo Pareto, one refers to the writings that abound in his penchant for paradox (Chapter 5). The class struggle is not only limited to the two classes of the proletariat and the capitalists, but also occurs within the elites (social hierarchy) fighting for power. “While earlier economists were primarily, or even solely, interested in functional income distribution, which then resolved itself into interpersonal income inequality, Pareto was the first to look at interpersonal equality as such.” (p. 173). There is Pareto’s law and Pareto’s coefficient, which ranges between 1.5 and 2. Pareto argued that a change in the y-equality coefficient could only occur through a change in real income.

Simon Kuznets was an influential economist, and his definition of national product was adopted by the United Nations (Chapter 6). His work on the distribution of income is not widely accepted, but it is present in economics. He reduced the analysis of inequality to the level of the individual, which was made possible by the availability of the data from the income tax records that were kept on the income of the individual. At the time of his activity, the Gini coefficient was over 50 in the USA in 1933, while it fell to 34 in 1957. Kuznets’ model contains five variables, namely the share of the urban population, the level of rural inequality, the level of urban inequality, the mean rural income and urban median income. “Kuznets does not question the positive role of incentive of higher income; he questions whether the greatest gain can be realized through the provision of such an incentive to the rich or to the poor.” (p. 192). Somehow, after Kuznets’ research, interest in inequalities declined.

Milanovic himself notes that there is no uniformity of theory, empiricism and narrative among the six authors. This is logical, since over the period of two centuries, access to data was very different.

When talking about “Studies of Inequality during the Cold War”, it can be said that this is a period of greater availability of data (Chapter 7). Studies of income distribution after World War II pushed economists into the service of ruling ideologies due to the competition between communism and capitalism. Marxists argued that classes did not exist, but that people merely owned different properties. In socialism, both the state and party hierarchies played a role similar to that of the capitalist hierarchy. There were two reasons why inequality studies were weak in the period of advanced capitalism from 1960 to 1990. The first reason was the reduced interest in the study of inequality, and the second involved political pressures that made the subject of inequality “undesirable”. Studying the Chinese concept of inequality, the author identified the lack of income inequality studies in that model of socialism, as well as the lack of good methodological frameworks. “On the other hand, China, especially during the period of the Cultural Revolution, provided one of the most egalitarian examples ever: earnings of its manual and nonmanual workers were generally equalized, and in many cases, manual workers’ earnings exceeded nonmanual workers’.” (p. 237). Based on this, the author concludes that studies of inequality stagnated in capitalism, but also in socialism from the

time after World War II until the end of the 20th century. It was considered that inequalities were eradicated and that there was no need to study them. However, in the 21st century, due to the efforts of Piketty, Milanovic, and other economists, political scientists, as well as sociologists, studies of inequality have been becoming interesting again.

This book encourages a dialogue about inequalities in the modern concept, a discussion on the issues of global inequality, income inequality in a multipolar world, topics that Professor Milanovic also interprets masterfully. This approach to the study of inequality shows how economic thought on inequality has evolved. The only thing that seems to be missing is more detailed research related to the inequality of Asian countries, and that can certainly be one of the next research topics for Professor Milanovic.

Branko Milanovic is a professor and senior scholar at the Stone Center on Socio-Economic Inequality, at the Graduate Center New York. He held lectures by invitation at the London School of Economics, Paul H. Nitze School of Advanced International Studies of Johns Hopkins University, University of Maryland, and the Carnegie Endowment for International Peace in Washington. He is a visiting professor at the Faculty of Economics in Belgrade, All Souls College of the University of Oxford and the Carlos III University in Madrid. He worked as a leading economist at the World Bank in Washington. Branko Milanovic, together with Professor Mariana Mazzucato, received [The Leontief prize](#), the award for pushing the boundaries of economic thought in 2018.

He is the author of several books on inequality, and the book *Global Inequality* (2016) received two major awards, namely the Bruno Kreisky Award for the best political book in 2016; and the Hans Mathefer Prize for the best book in economics in 2018. His books have been translated into more than fifteen languages. His research works are published in the most prestigious scientific journals.

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