

Branko Milanović. *Capitalism, Alone: The Future of the System That Rules the World* (Belknap Press of Harvard University Press, 2019, 287 pp.)

Evren GÜLSER¹

Book Review

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Branko Milanović's *Capitalism, Alone: The Future of the System That Rules the World* (2019) examines why, and how capitalism has become the world's only dominant economic system and explores the tensions that now shape its future. Milanović contrasts Liberal Meritocratic Capitalism in the West with Political Capitalism, exemplified by China, and carefully dissects the internal contradictions of each. This review outlines some of the author's main arguments, highlights the book's contributions, and considers its limitations.

Before the Industrial Revolution in the West, global inequality was relatively modest, arising as much from differences among individuals within the same region as from disparities in average incomes between regions. This changed dramatically with the Industrial Revolution. As the author notes, "Never in history had the superiority of one part of the world over another been as great as was the superiority of Europe over Africa and Asia in the nineteenth century" (p. 6), which is explored more extensively in Pomeranz (2009). By the aftermath of World War II, global inequality had reached its historical peak and remained at similar levels until the closing decades of the twentieth century. However, from the 1980s onward, convergence began, led by China's economic transformation and followed by several other Asian economies, unfolding alongside a new phase of Globalization and the ICT revolution. This process also contributed to the deindustrialization of the West, mirror image of the deindustrialization that India experienced during the first Industrial Revolution. In this sense, the global economy has partly "undone" the effects of the first Industrial Revolution, returning the distribution of economic activity in Eurasia closer to its pre-industrial balance, while between regions inequality has transferred within countries.

This book examines the economic, social, cultural, and institutional consequences of this new global order from a realistic perspective, recognizing capitalism as the system that has come to

¹ University at Albany, State University of New York, Department of Economics, gulserevren@gmail.com,
ORCID: 0000-0002-2280-5171

dominate all others and evolved into two different forms. Liberal Meritocratic Capitalism that has developed gradually in the West, and the state-led authoritarian version of it: Political Capitalism, can be exemplified by China, but not constraint to it. Milanovic spares two chapters for his diligent analysis of these two types of capitalism and explores the future of capitalism in the following parts of the book.

Liberal Meritocratic Capitalism, which the author defines with reference to John Rawls's theory of justice (1971), is a system in which goods and services are produced and exchanged through the mechanisms of capitalism (production organized for profit with legally free wage labor, capital owned privately, and decentralized coordination), allocated according to the principle of meritocracy, and liberal insofar as it permits social mobility. Milanović compares this system with earlier forms of capitalism and finds similar features: a rising share of capital in total income, a high concentration of capital ownership, and the enduring wealth of capitalists. One of the few things that sets Liberal Meritocratic Capitalism apart is the phenomenon the author terms *homoploutia*: the richest individuals are not only major capital owners but also earners of the highest labor incomes. Assortative mating further reinforces this concentration, as high-income individuals increasingly partner with one another. In addition, the transmission of social status across generations operates in new ways.

One of the strongest parts of Milanović's book is the depth with which he examines the internal dynamics of Liberal Meritocratic Capitalism. These mechanisms—*homoploutia*, assortative mating, and the intergenerational transmission of privilege—are not incidental features but central to understanding how inequality is reproduced today. Supported by the arguments from *The Meritocracy Trap* (Markovits 2019), the author shows how today's capitalism differs fundamentally from the world described by Ricardo, Marx, or even Veblen. Today's elites are not only rentiers or owners of large corporations but also highly paid professionals, such as managers, lawyers, physicians, consultants, web designers, and investment bankers who may have inherited wealth or accumulated it over the course of their high-earning careers.

Before the 1980s, affluent men often married women of similar social status, yet household inequality was mitigated because wives were less likely to participate in the labor force. Today, however, elite schools are increasingly populated by students from wealthy families, who then marry one another, creating households where both partners command high incomes. The consequences are striking: the correlation of spouses' incomes was close to zero in 1970, it has since turned strongly positive and continues to rise. Milanović shows that about one-third of

the increase in U.S. inequality between 1967 and 2007 can be attributed to homogeneity. Moreover, its effects extend beyond the household: highly educated couples also invest disproportionately in their children's education, reinforcing advantages across generations and further entrenching inequality. This new elite also channels substantial resources into politics, reinforcing their influence and control. Put more bluntly, the ruling class in Western societies is not idle but hard-working; it believes its wealth is deserved through education and does not perceive itself as a ruling class at all.

The author's take on how these elites influence the political system stays brief. Still, his arguments imply a richer perspective. For elites, transferring both their social status and high labor incomes depends on massive investments in their children's education from an early age, as they compete for a limited number of places at elite schools. This dependence helps explain their inclination to shape and control democratic processes: they require the system to remain as it is for their investments in education and status reproduction to pay off. Although Milanović largely avoids direct reflections on today's politics, his arguments suggest that elites' antagonism toward populism reflects a resentment of a system they dominate but fear others are unwilling to contribute. By contrast, the masses appear increasingly detached from the meritocratic race, showing little interest in investing in the system and not concerned for its future at all. These implications, while not spelled out in the book explicitly, provides important clues for understanding the rise of political polarization worldwide.

The book convincingly shows that education in Liberal Meritocratic Capitalism is increasingly instrumentalized by elites to legitimize and reproduce privilege. The high cost of schooling with actual or perceived superior quality of it serves a dual purpose: it allows elites to monopolize best education institutions, and more importantly signals that they are not only affluent but intellectually exceptional. Yet the author's policy suggestion to address this is to find a way to expand access of low-income groups to better education. His realist attitude in analyzing the current role of education becomes naïve when suggesting policies to remedy it, because extending Milanović's own logic suggests otherwise. Highly paid managers often hire through school-based and professional networks, and apply less scrutiny to insiders than to outsiders which helps concentrate, and sometimes even proliferate, high-paying jobs within closed circles. In such a setting, "reconnecting" innate ability to better education would yield only limited gains in labor incomes, because the decisive margin is not the quality of education but rather networked gatekeeping and credential prestige (Dale and Krueger, 2002; Bayer et al., 2008; Rivera, 2012; Eliason et al., 2023).

In the third chapter, the author turns to Political Capitalism, examining it primarily through the example of China. Drawing on Max Weber's definition of politically motivated capitalism as "the use of political power to achieve economic gains" (p. 91), Milanović identifies three defining characteristics. First, the system relies on a highly efficient bureaucracy, which provides the administrative capacity necessary for rapid economic growth. Second, the absence of the rule of law makes economic growth the key source of political legitimacy. Third, the state retains the autonomy to subordinate the private sector to national interests. Within this system, the author highlights two internal contradictions. The first lies between the arbitrariness of rule enforcement and the technocratic, high-skilled elite, trained to operate under rational and rule-bound procedures. The second arises from the tension between the system's need for legitimacy and the corruption fostered by the wide discretionary powers given to bureaucrats. High growth and high corruption, he argues, cannot coexist indefinitely: if corruption spirals out of control, the system may collapse; but if the rule of law is fully implemented, the system evolves into one of elite competition, moving it beyond a one-party regime.

Milanović argues that Political Capitalism operates within a precarious equilibrium, constrained by internal bottlenecks that threaten its long-term stability. By contrast, Liberal Meritocratic Capitalism appears more balanced, yet it too contains systemic features that endanger its durability. Its central weakness lies in the formation of a self-perpetuating upper class and the growing polarization between elites and the rest of society, while the system is less prone to imbalance because its tensions are repeatedly tested within a democratic framework. Political Capitalism, on the other hand, grants leaders far greater discretion, which makes the system free from democratic control, and injures it in a way that is threatened by its own dynamics.

One of the most interesting sections of the Political Capitalism chapter is the author's discussion of the limits of both liberal and Marxist paradigms in explaining major historical events. He argues that World War I poses a serious challenge to the liberal interpretation of history: if the system repeatedly culminates in world wars, then its theoretical framework must be considered flawed. Marxism, by contrast, provides a more compelling account of the rise of fascism and the outbreak of war. Marxist theory incorporates such conflicts as inherent to Capitalism, which inevitably produces powerful national monopolies that clash as the system is characterized by rapid expansion. This puts the system on Marx's projected linear path from capitalism to socialism and ultimately communism, even if the bourgeoisie may temporarily mobilize to stop the "wheels of history."

Marxist theory has its own limits as it provides no substantial explanation for why it was never expanded to the other capitalist countries, and why existing socialist regimes eventually reverted to capitalism. Milanović instead interprets communism as a transitional path that allowed late-developing countries to move toward capitalism. In the 1920s, much of the “Third World” was underdeveloped relative to the West, still marked by feudal or quasi-feudal relations and dominated by foreign powers. These countries could not follow the Western path from feudalism to capitalism because they faced two simultaneous challenges: a social revolution to break the power of landlords and a political revolution to end foreign domination. Communist and left-wing nationalist parties were uniquely positioned to meet these challenges, offering both strong organizational structures and ideological commitment, including a willingness to make sacrifices. In this way, Milanović provides a more historically consistent account of communism’s role, showing how it functioned as an alternative path for societies blocked from the Western model of development and ultimately led them to capitalism.

Milanović argues that the classic 20th-century tools—strong unions, mass education, and high taxes and transfers—are no longer enough to cope with the new versions of Capitalism. Instead, he calls for equalizing capital and skill endowments across the population. Since capital income is rising, he proposes broadening middle-class asset ownership through measures such as protecting small investors, promoting worker shareholding, and strengthening inheritance and wealth taxes. He also stresses the need to break the link between wealth and political power and to reform migration by tying the number of entrants to the bundle of rights they receive, thereby easing nationalist backlash while addressing income-driven migration pressures. In addition, he advocates major investment in public education to level the playing field with private schools.

Considering its policy suggestions, the book reveals several limitations: it dismisses modern social democracy, overlooks the political feasibility of its own proposals, and adopts a narrow view of technology’s role. Although Milanović defines “social-democratic capitalism” as a postwar phenomenon, he largely overlooks its modern Scandinavian forms, even though many of his proposed policies, such as inheritance taxation and strong public education, are central features of these systems. Examining Scandinavian economies through Milanović’s own framework could also address another limitation of the book, namely its neglect of the political feasibility of egalitarian reforms such as expanded middle-class asset ownership and worker shareholding, which his own analysis of elite political capture suggests may be impossible to implement. Finally, his treatment of technology, focused on rebutting fears of mass

unemployment, underestimates its broader implications for inequality, power concentration, and the changing nature of work.

In its final chapters, *Capitalism, Alone* turns from history to prognosis. The author foregrounds the contradictions of globalization, where capital and goods move freely but labor remains constrained by borders. This produces what he calls the “citizenship premium,” a rent enjoyed by those born in rich countries and defended through anti-immigrant politics. At the same time, globalization has upended development theory: far from requiring delinking, poor countries now converge by integrating into global value chains, as technology transfer and fragmented production link capital owners in the North with workers in the South. The result is both convergence between Asia and the West and dislocation for workers in advanced economies.

The conclusion is both provocative and unsettling. He depicts a capitalism that penetrates private life, commodifying family and community functions while fostering atomization and moral hollowing. In this hypercommercialized world, money becomes the sole arbiter of value, and legality substitutes for ethics, normalizing corruption as a feature of the system. Against this backdrop, he frames the future as a contest between liberal meritocratic capitalism, anchored in democracy and rule of law, and political capitalism, exemplified by China’s growth-driven authoritarian model. The outcome remains uncertain, but the book leaves the reader with a sobering insight: capitalism’s triumph is global and uncontested, yet its very success erodes the social and ethical foundations on which lasting prosperity depends.

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