Inequality and Economic History

Guido Alfani

DONDENA
Centre for Research on Social Dynamics
Bocconi University, Milan, Italy

1300~1800
EINITE

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The story so far

- Up until recently, we had very little information about long-term trends in economic inequality in preindustrial Europe. The notable exception was Van Zanden (1995) on Holland in the Low Countries

- The situation has now changed entirely, and for many European regions we now have time series of (mostly wealth) inequality covering the early modern period and part of the Middle Ages

- Most of the new data which has become available is the result of a project funded by the ERC (Starting Research Grant program): EINITE – Economic Inequality across Italy and Europe, 1300-1800 (www.dondena.unibocconi.it/EINITE)

- Including the preindustrial period in the analysis tends to change the way in which we look at recent developments in inequality
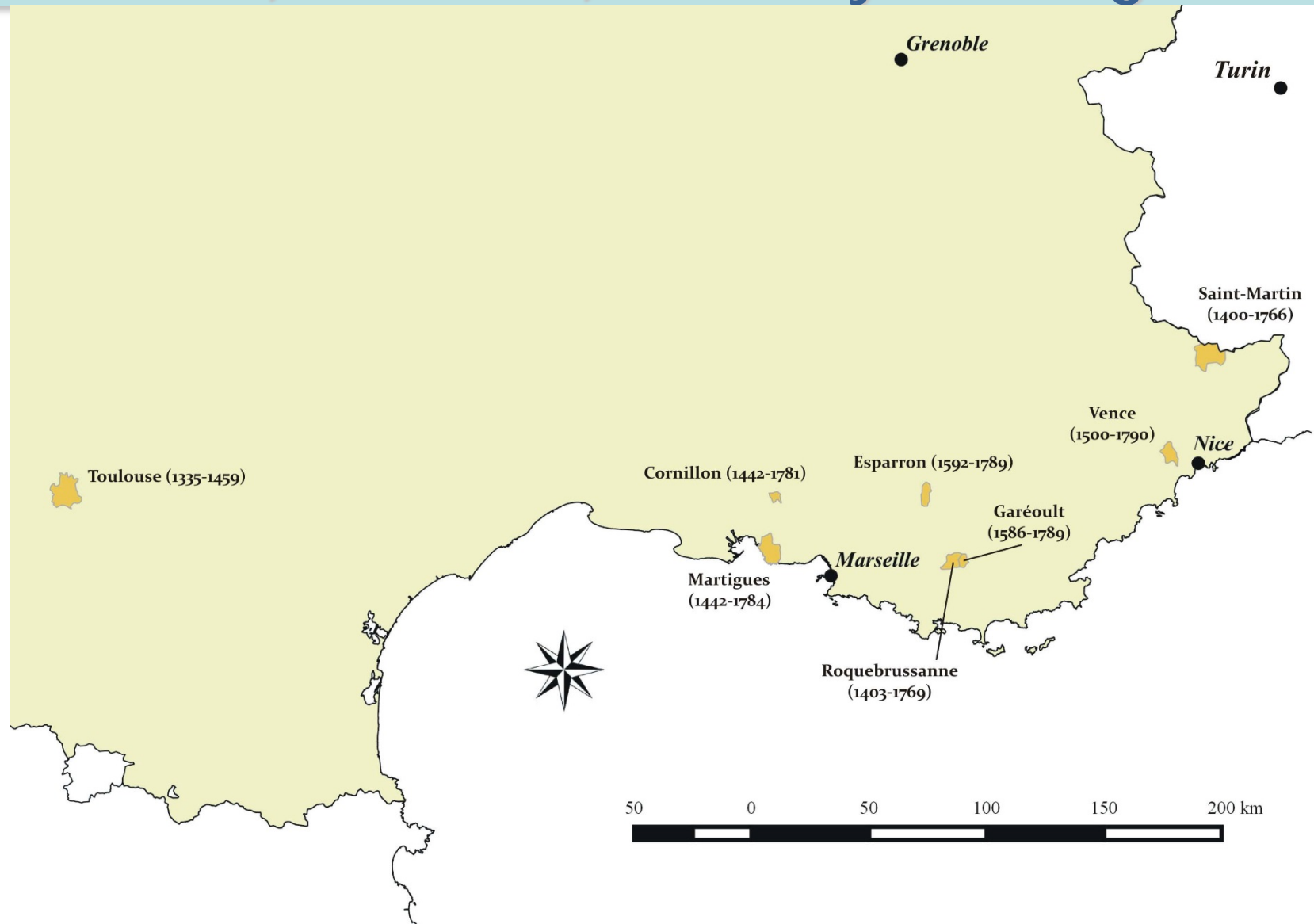
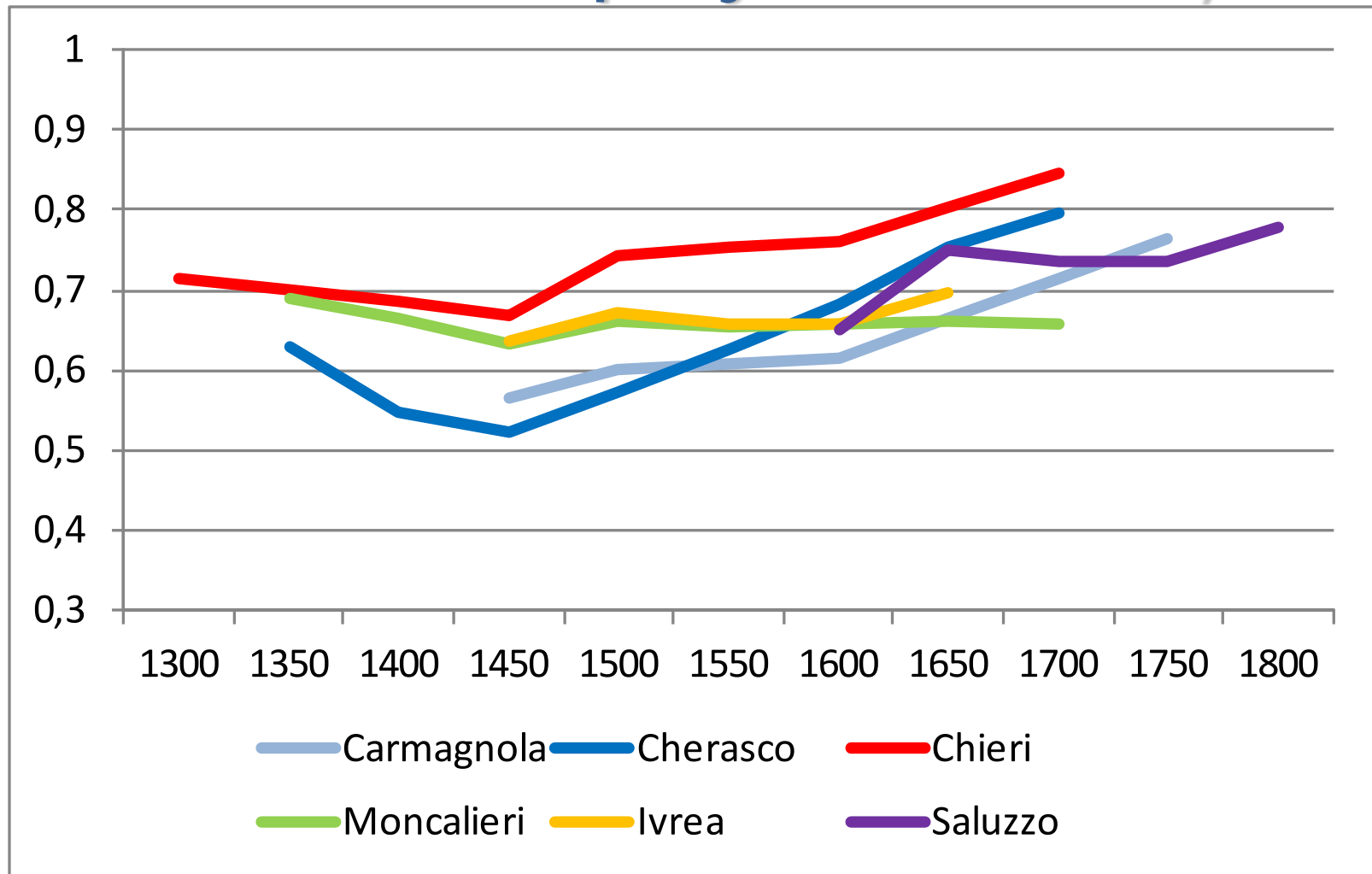# The areas covered by EINITE: Italy…
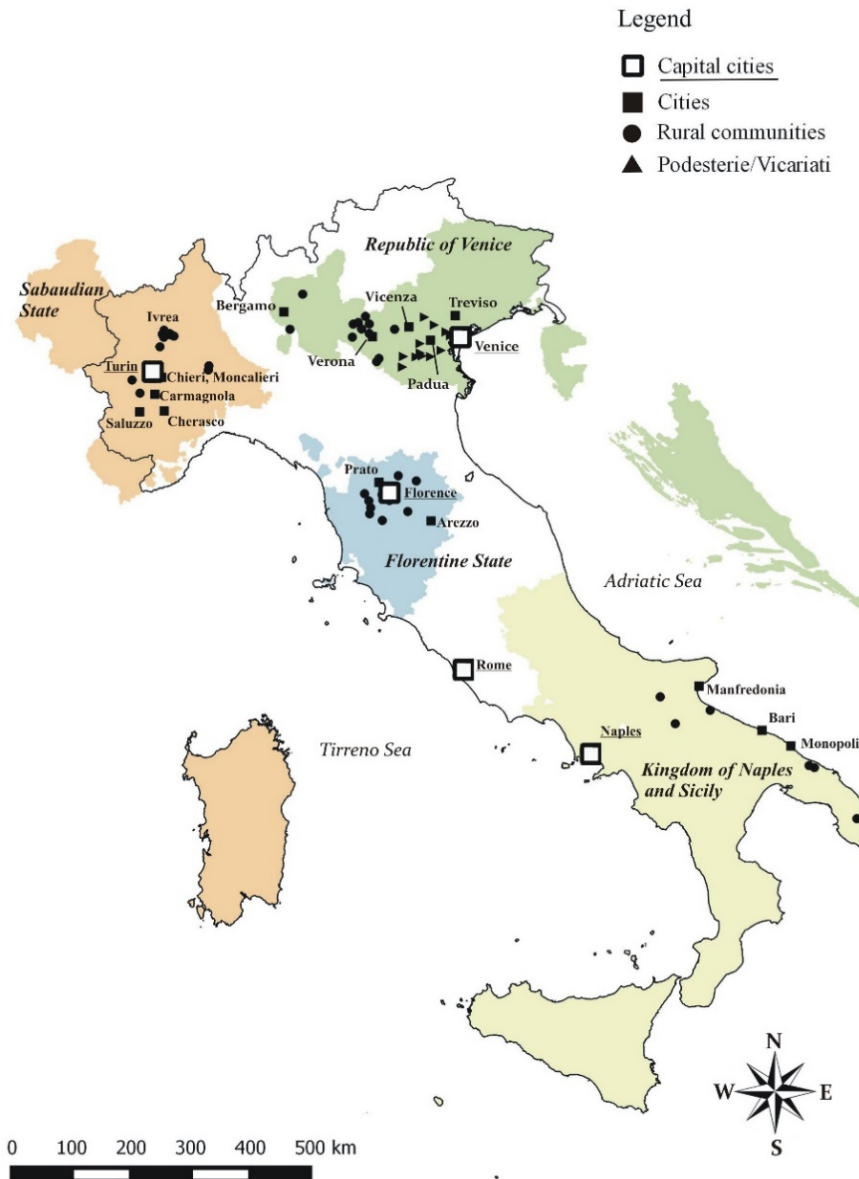
…the Low Countries…
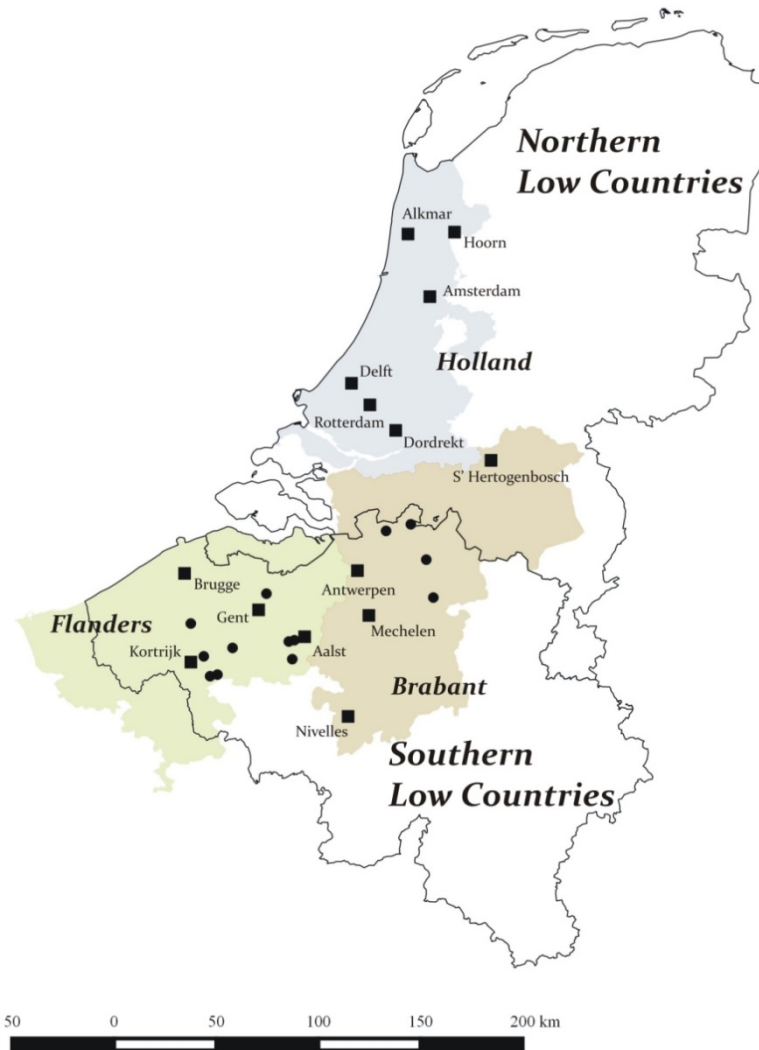
…and other European areas, in particular south France, Catalonia, Germany and England

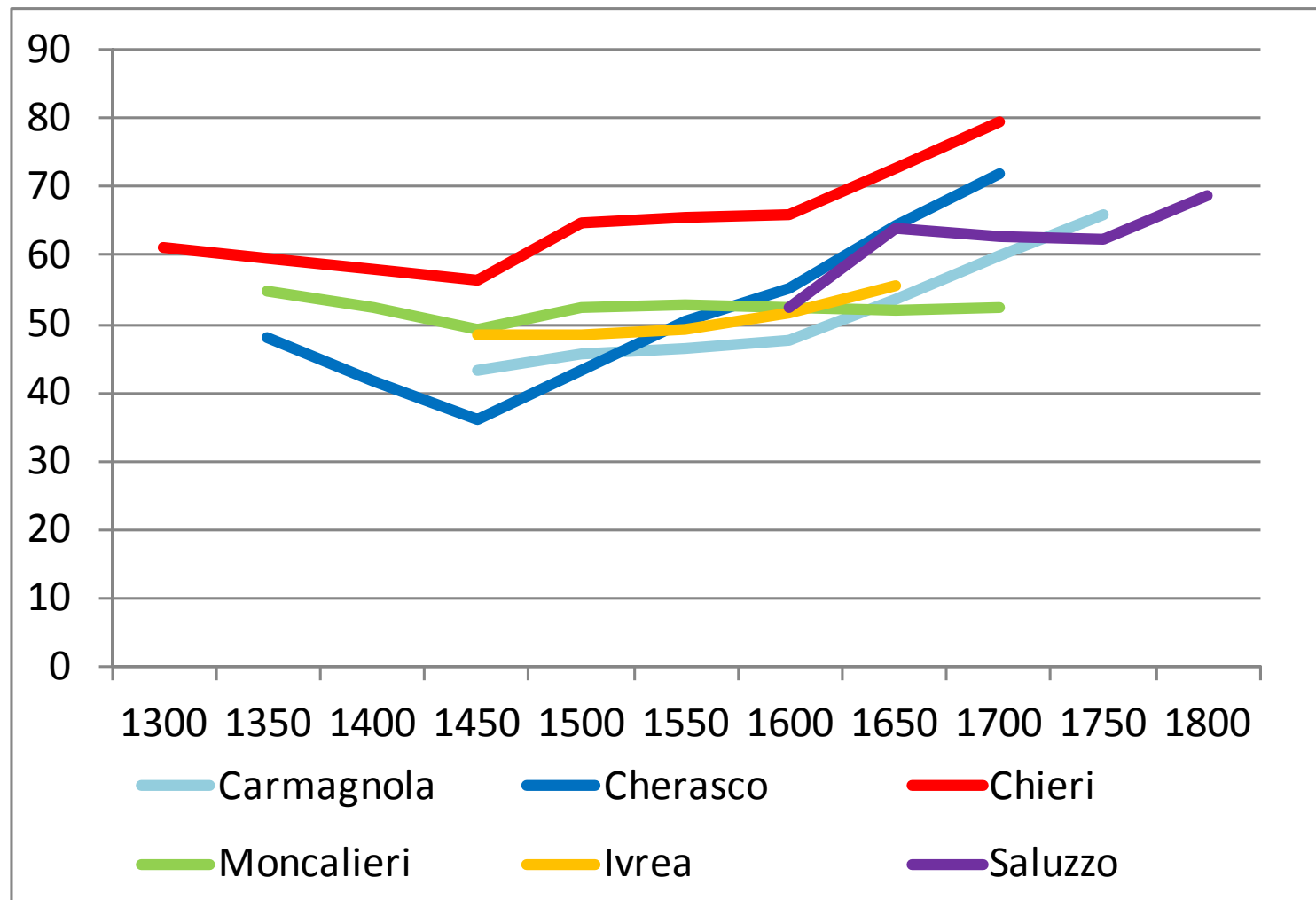# The (more or less) common archival sources used: the *estimi* or property tax records

The case of Piedmont (wealth inequality, Gini indexes. Propertyless excluded)

Source: Alfani, "Economic inequality in northwestern Italy: A long-term view (fourteenth to eighteenth centuries)", *Journal of Economic History*, 2015

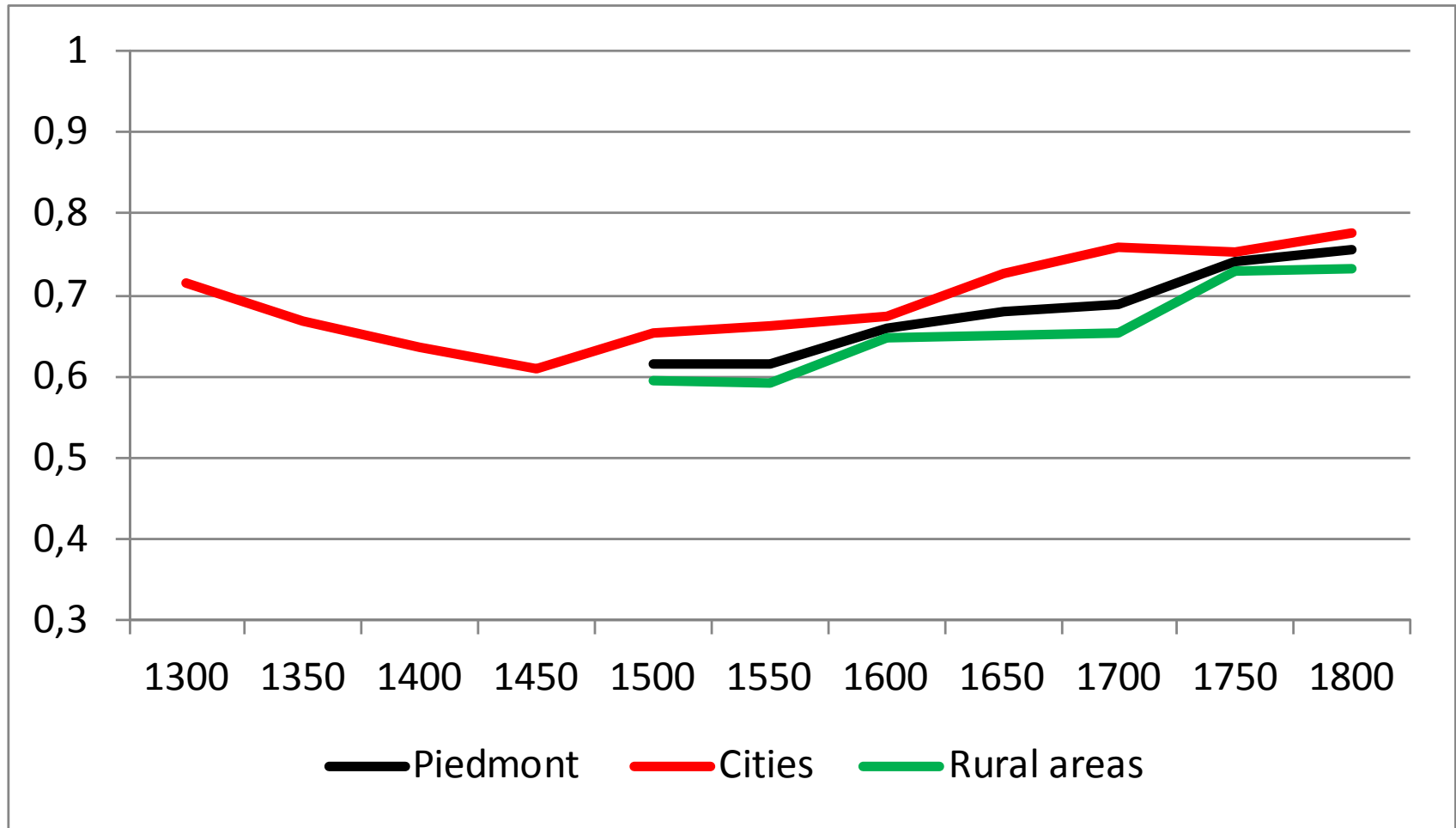# Share of wealth of the top 10% (Piedmont)

Source: Alfani, "Economic inequality in northwestern Italy: A long-term view (fourteenth to eighteenth centuries)", *Journal of Economic History*, 2015

A new method to aggregate local time series in order to produce «regional» time series
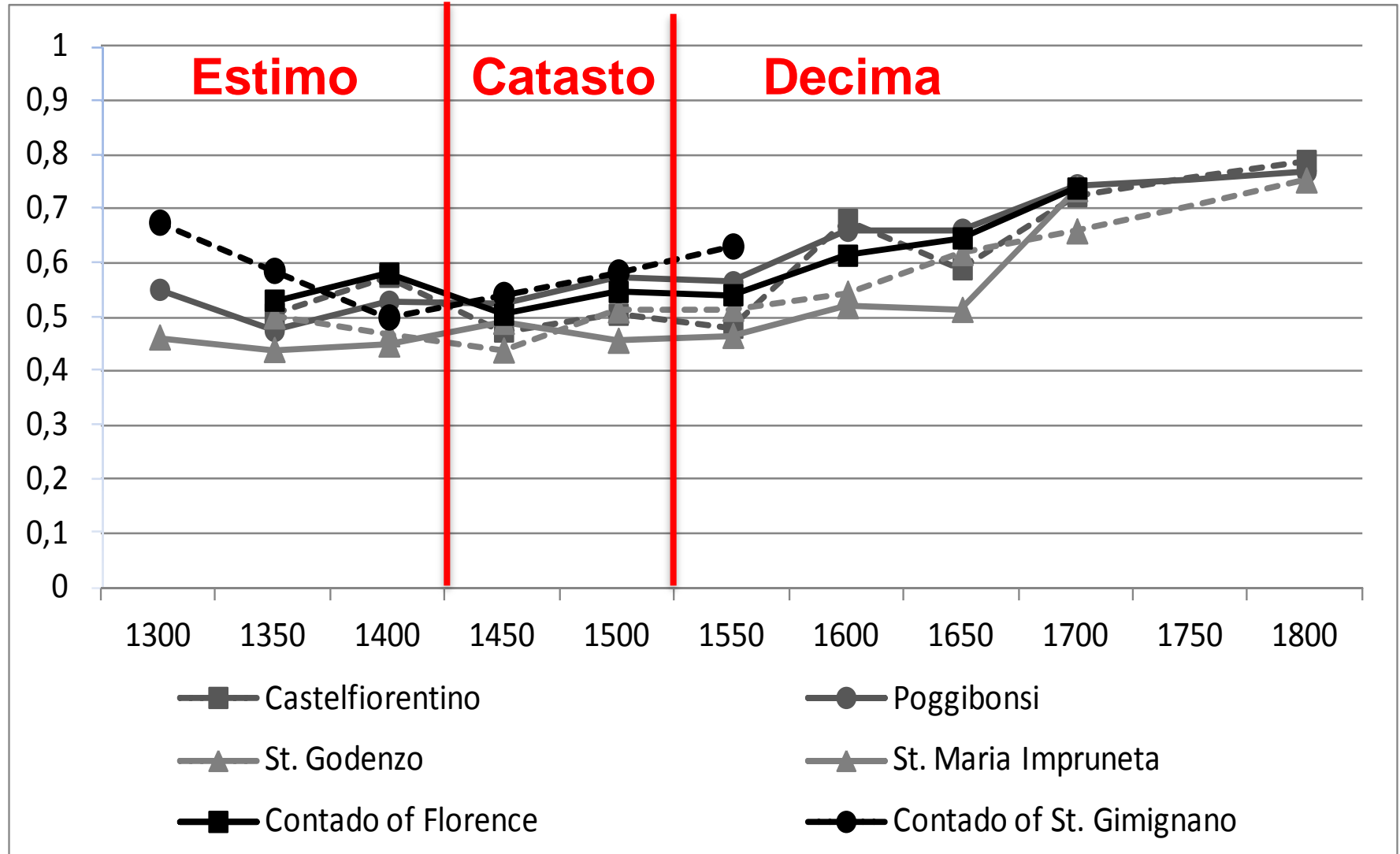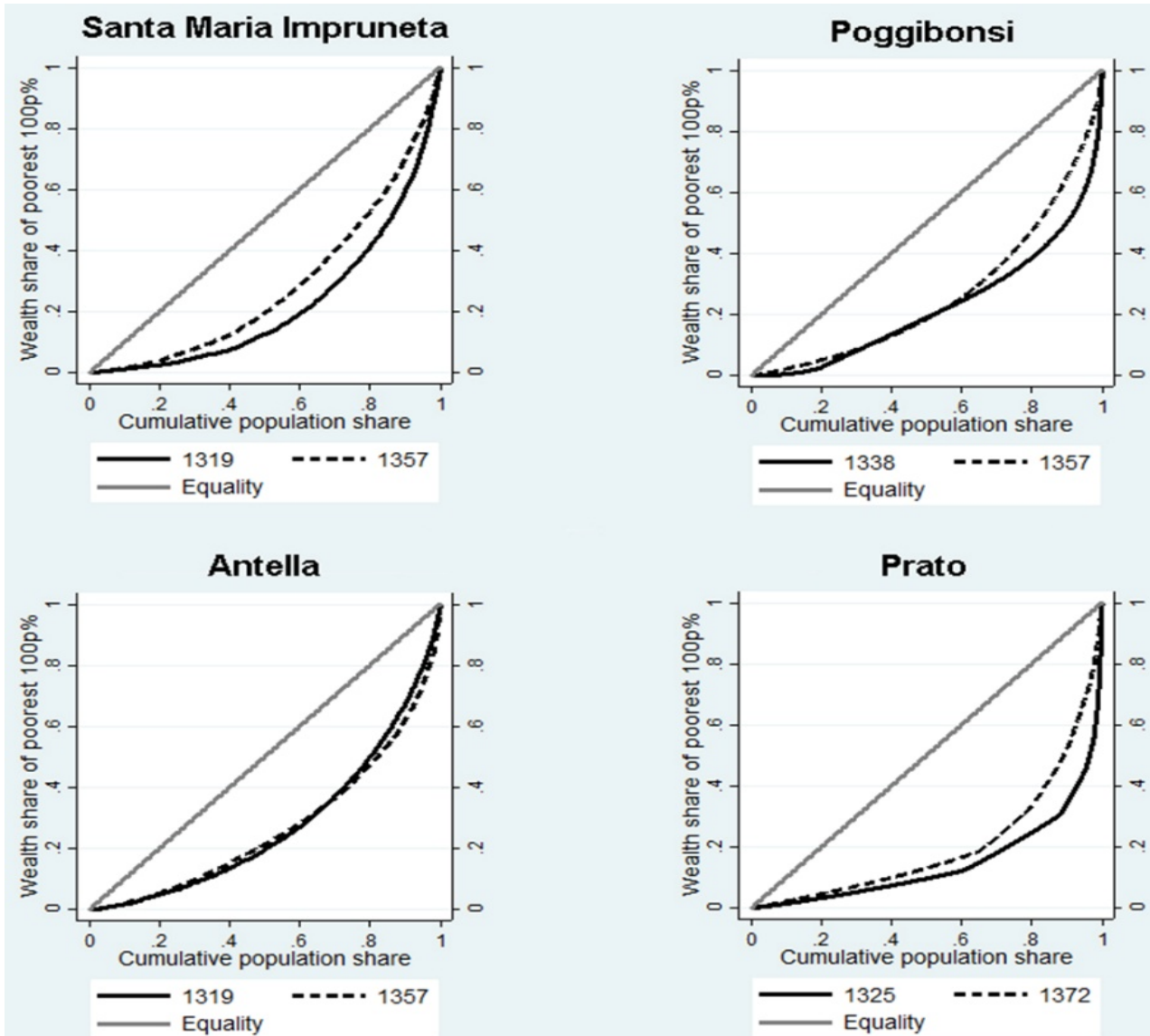

Source: Alfani, "Economic inequality in northwestern Italy: A long-term view (fourteenth to eighteenth centuries)", *Journal of Economic History*, 2015

Economic inequality in the Florentine *contado*, 1300-1800 (wealth inequality, Gini indexes)
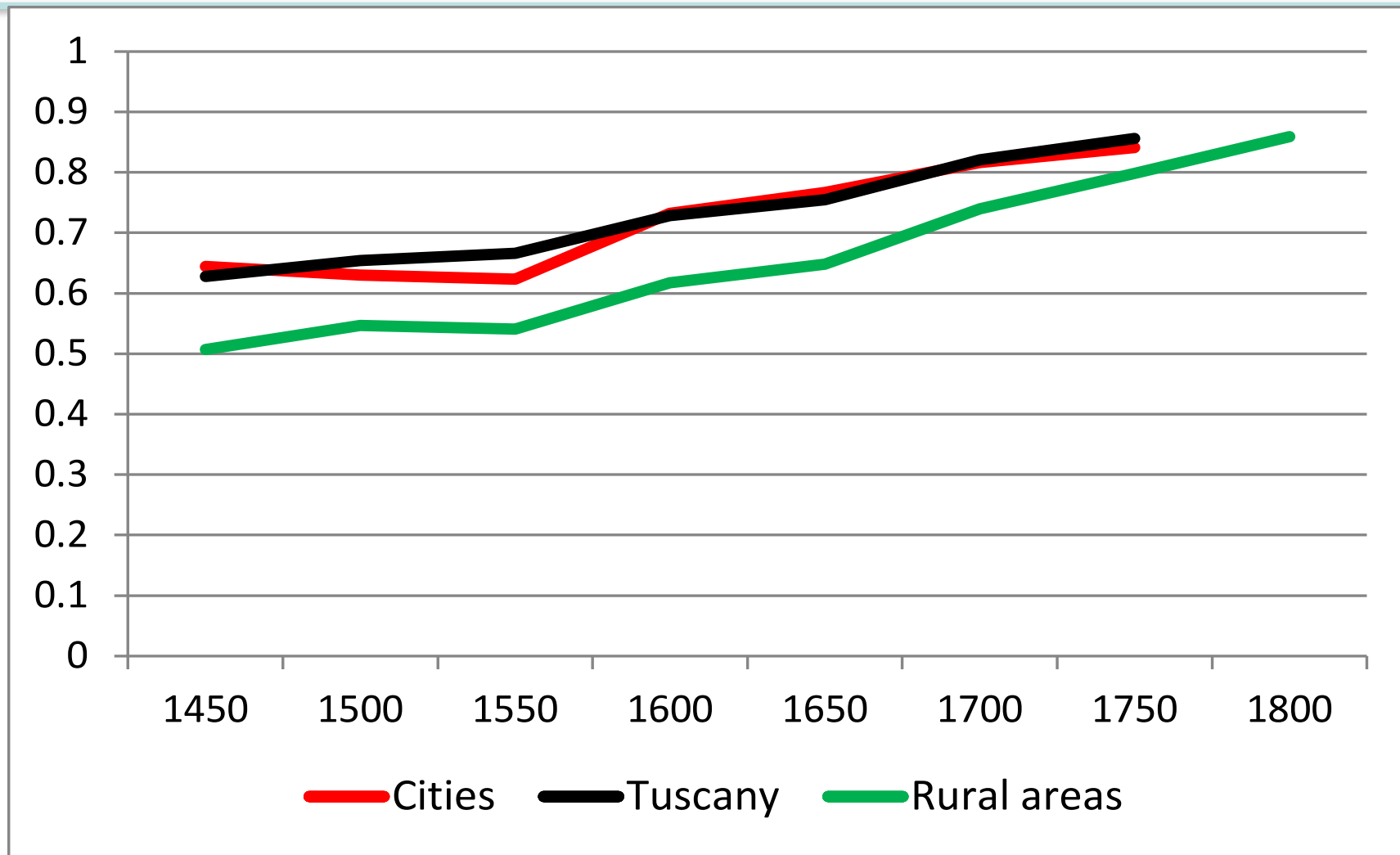
The impact of the Black Death in Tuscany: Lorenz Curves

Source: Alfani and Ammannati, "Long-term trends in economic inequality: the case of the Florentine State, ca. 1300-1800", *Economic History Review*, 2017

# The Tuscan regional reconstruction

Source: Alfani and Ryckbosch, "Growing apart in early modern Europe? A comparison of inequality trends in Italy and the Low Countries, 1500–1800", *Explorations in Economic History*, 2016

Findings from regression analysis (on Tuscany)

|	(1)	(2)	(3)	(4)	(5)	(6)
Year	0.0007***	0.0007***	0.0008***	0.0008***	0.0008***	0.0008***
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
Pre-Black Death	0.1089***	0.1211***	0.1215***	0.1303***		
	(0.0288)	(0.0309)	(0.0309)	(0.0307)		
Population (ln)	0.0446***	0.0465***	0.0076	0.0025	-0.0008	-0.0157
	(0.0068)	(0.0066)	(0.0120)	(0.0209)	(0.0124)	(0.0228)
Per capita GDP (ln)		0.1431	0.1750**	0.1637*	0.1807*	0.1761*
		(0.0902)	(0.0869)	(0.0919)	(0.0913)	(0.0993)
Urban (ref.: Rural)			0.0884***		0.0869***	
			(0.0280)		(0.0307)	
Estimo (ref.: Decima)			0.0172	0.0228	0.0325	0.0358
			(0.0216)	(0.0235)	(0.0279)	(0.0285)
Catasto (ref.: Decima)			-0.0243	-0.0226	-0.0197	-0.0235
			(0.0205)	(0.0230)	(0.0224)	(0.0249)
Fixed effects (community dummies)				Yes		Yes
F	123.5***	90.55***	49.53***	24.24***	31.41***	13.85***
R²	0.6597	0.6674	0.7030	0.7405	0.6490	0.6919
N	130	130	130	130	115	115

The Republic of Venice
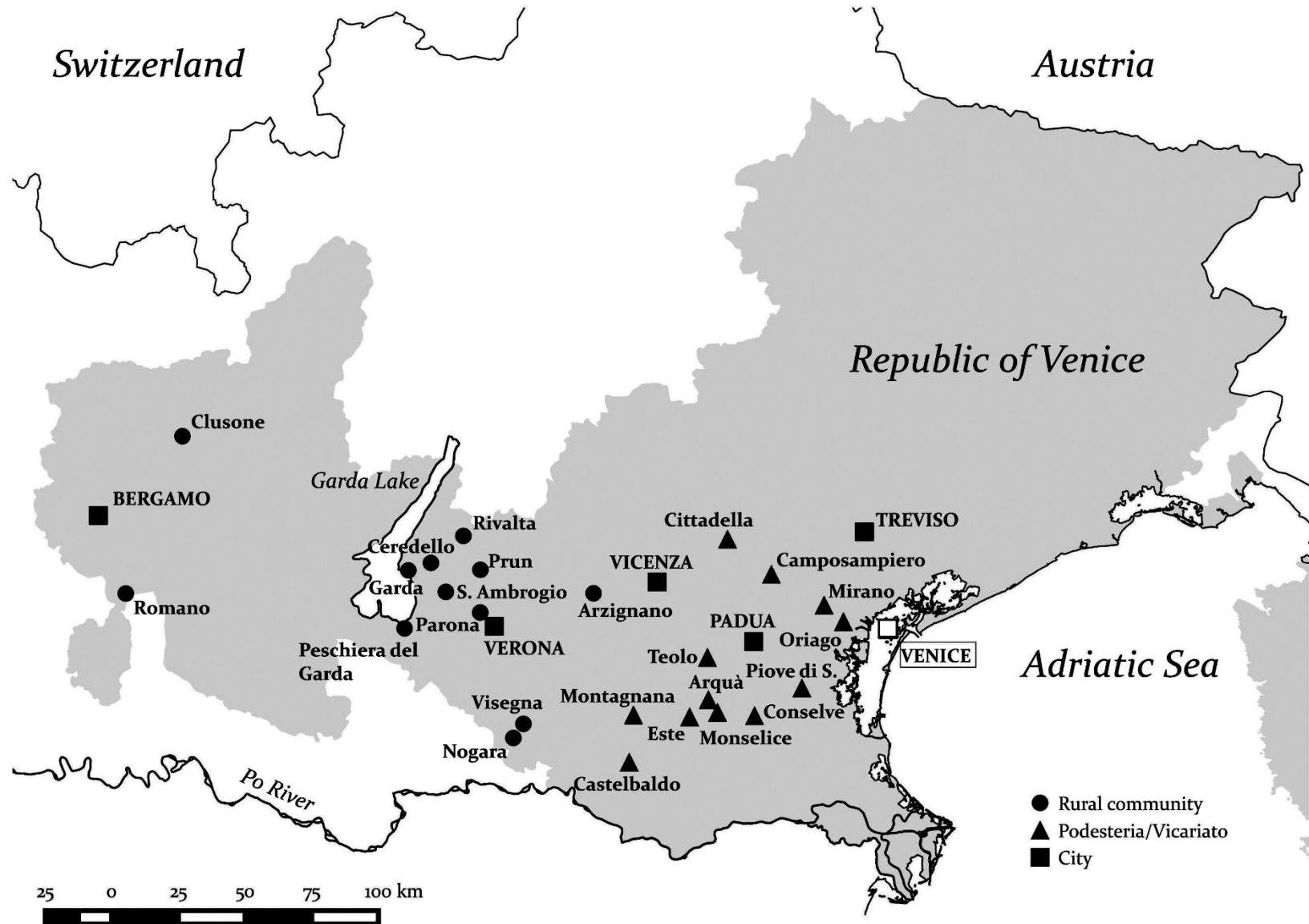
Economic inequality across the Republic of Venice as a whole (wealth inequality, Gini indexes. Propertyless excluded)
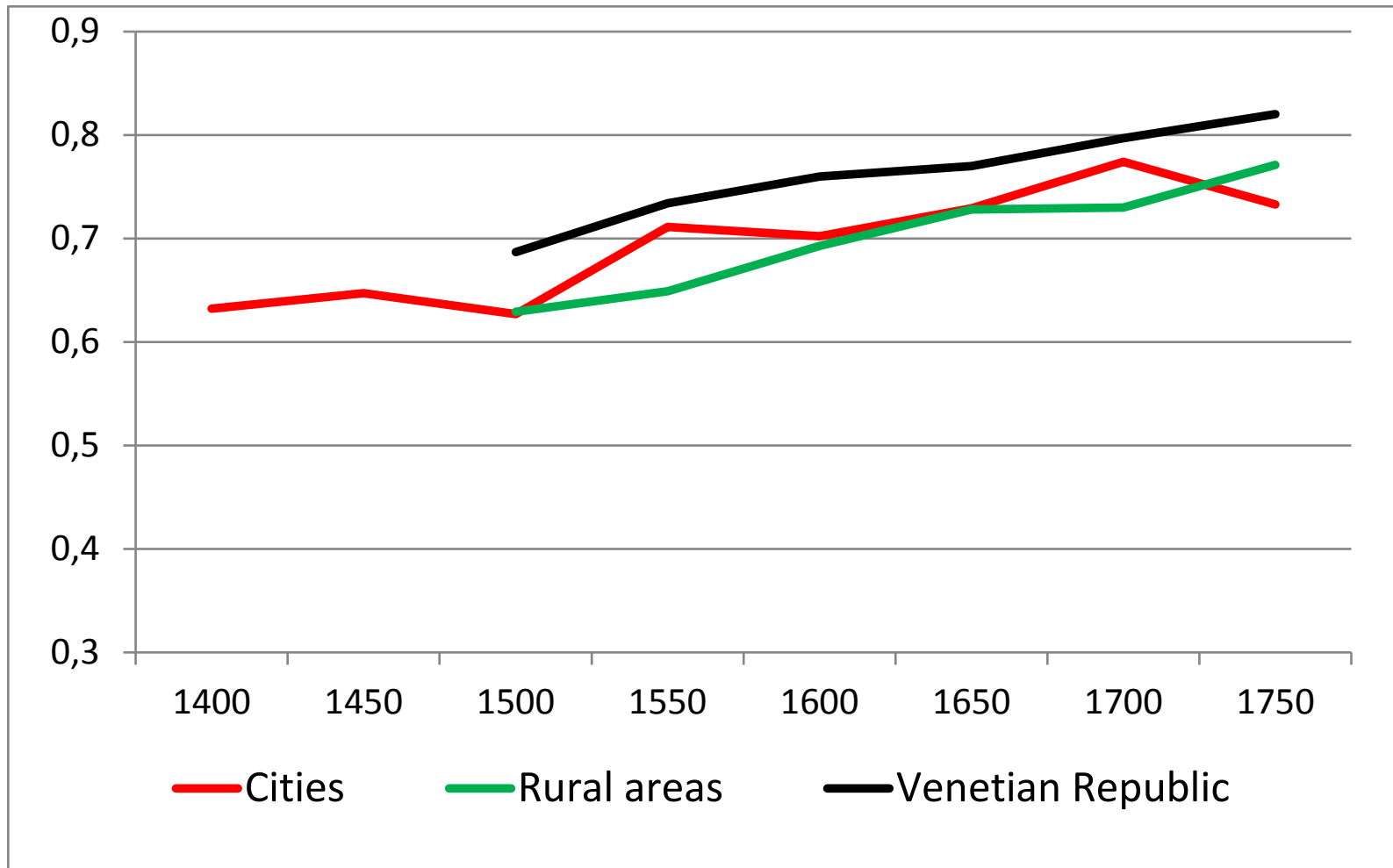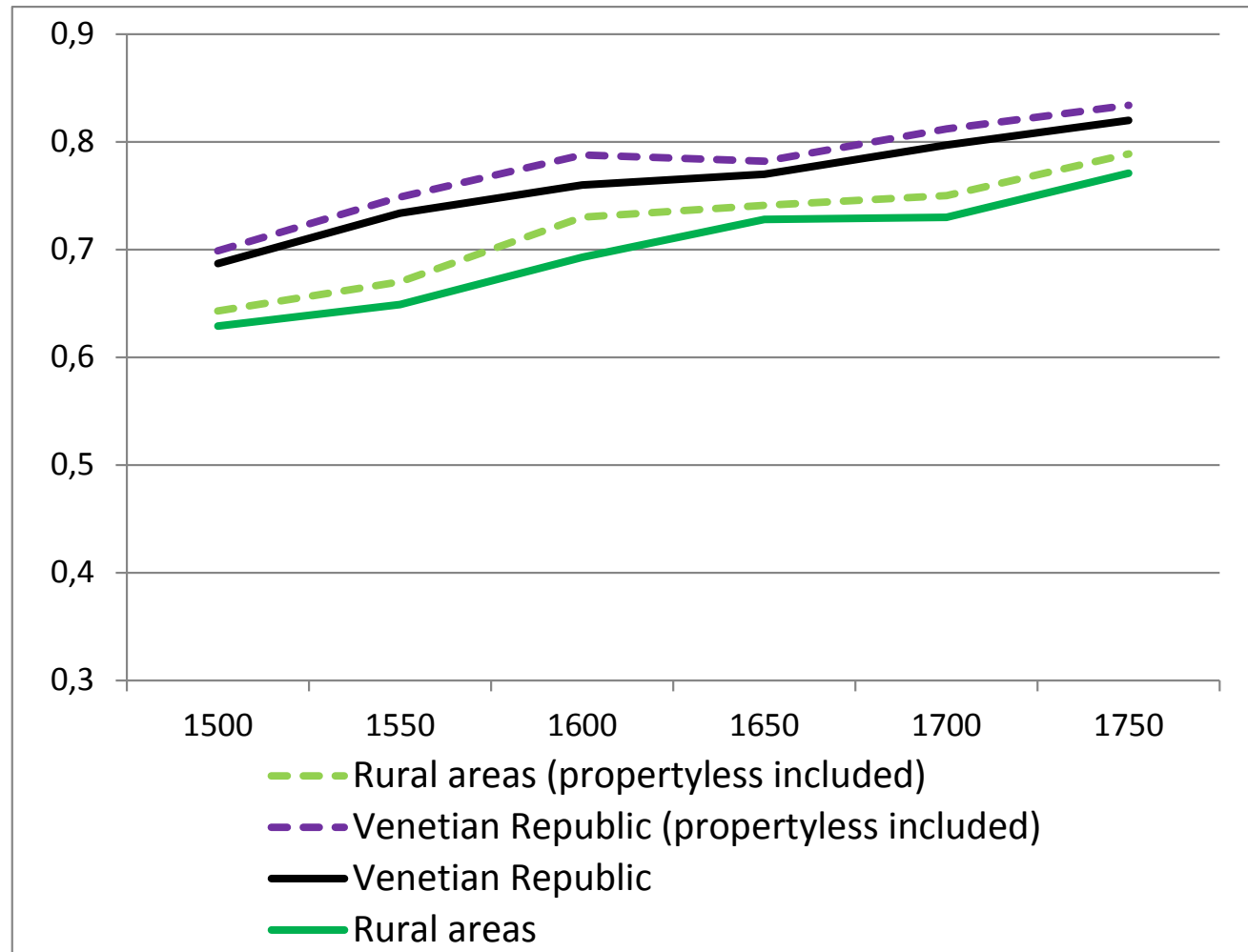

Aggregate series elaborated with the same method introduced in G. Alfani, "Economic inequality in northwestern Italy: A long-term view (fourteenth to eighteenth centuries)", *Journal of Economic History*, 2015

Long-term trends in economic inequality (Gini indexes of wealth concentration, including and excluding the propertyless)
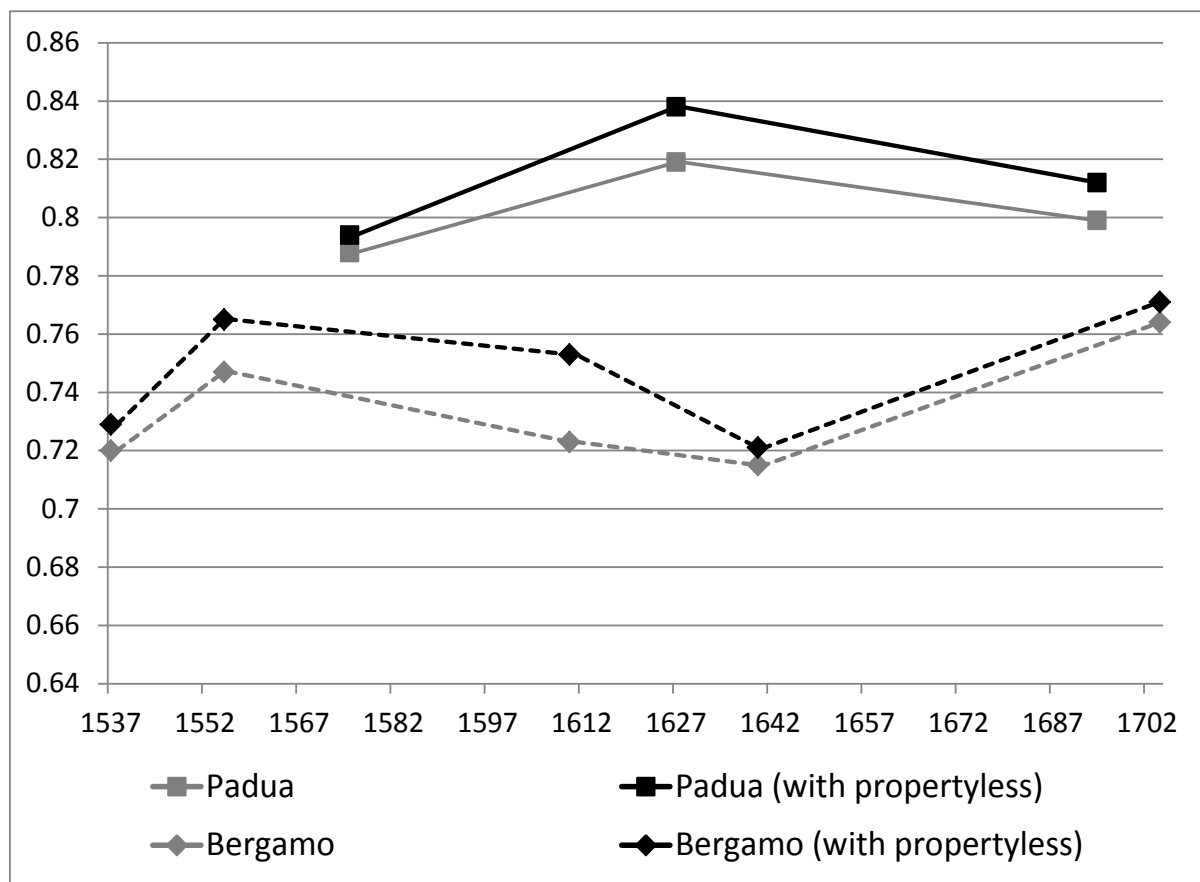

For the rural areas: in Padua's *contado*, where the propertyless were recorded in 1642 and 1694 only, adding them to the distribution increases the Gini index by 1.1% (from 0.728 to 0.736) and by 2.5% (from 0.747 to 0.766) respectively

Economic inequality across the Republic of Venice as a whole (Gini indexes of wealth concentration)


Aggregate series elaborated with the same method introduced in G. Alfani, "Economic inequality in northwestern Italy: A long-term view (fourteenth to eighteenth centuries)", *Journal of Economic History*, 2015
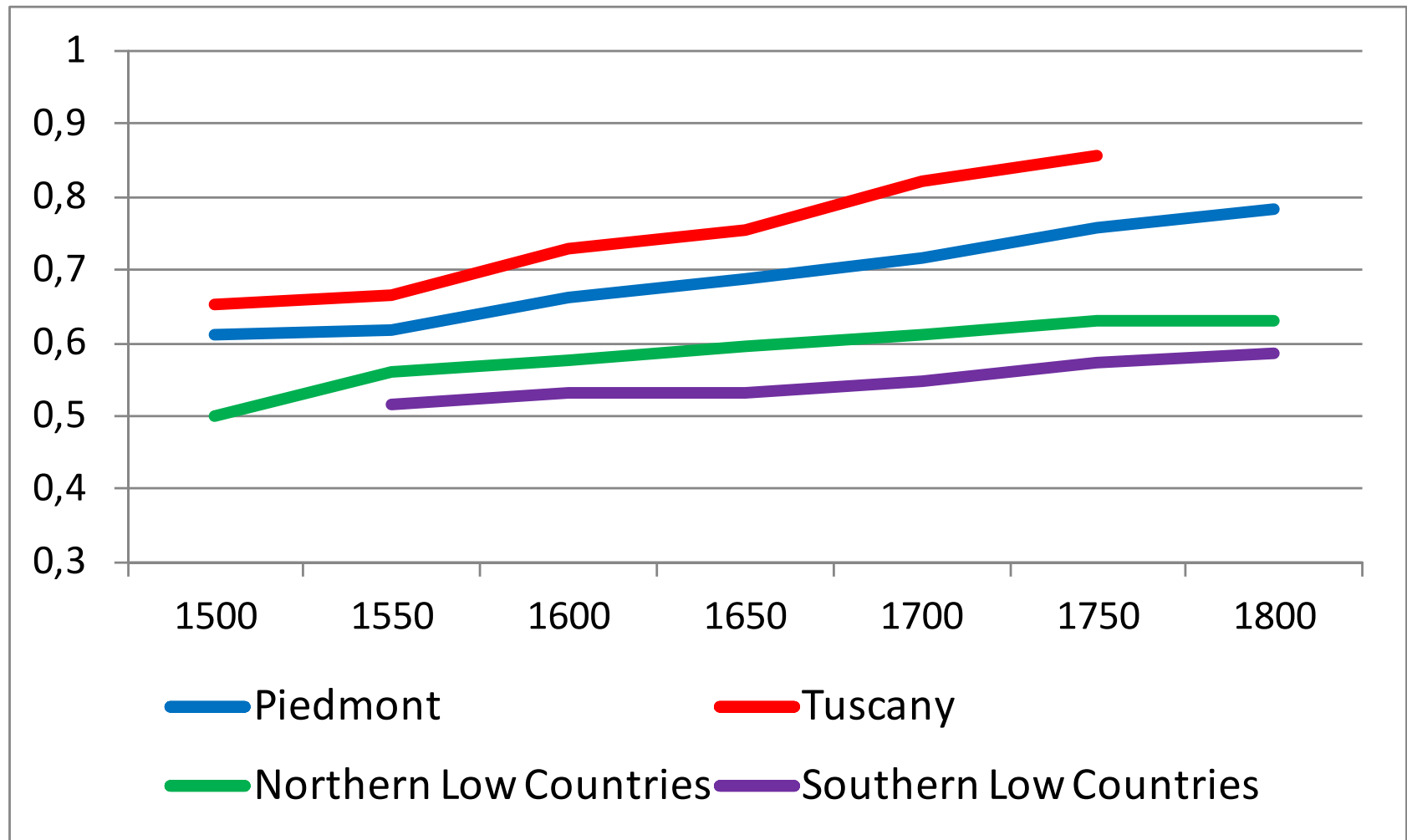
Comparing regional trends in Italy: Republic of Venice, Sabaudian State, Kingdom of Naples and Florentine state (for now!)
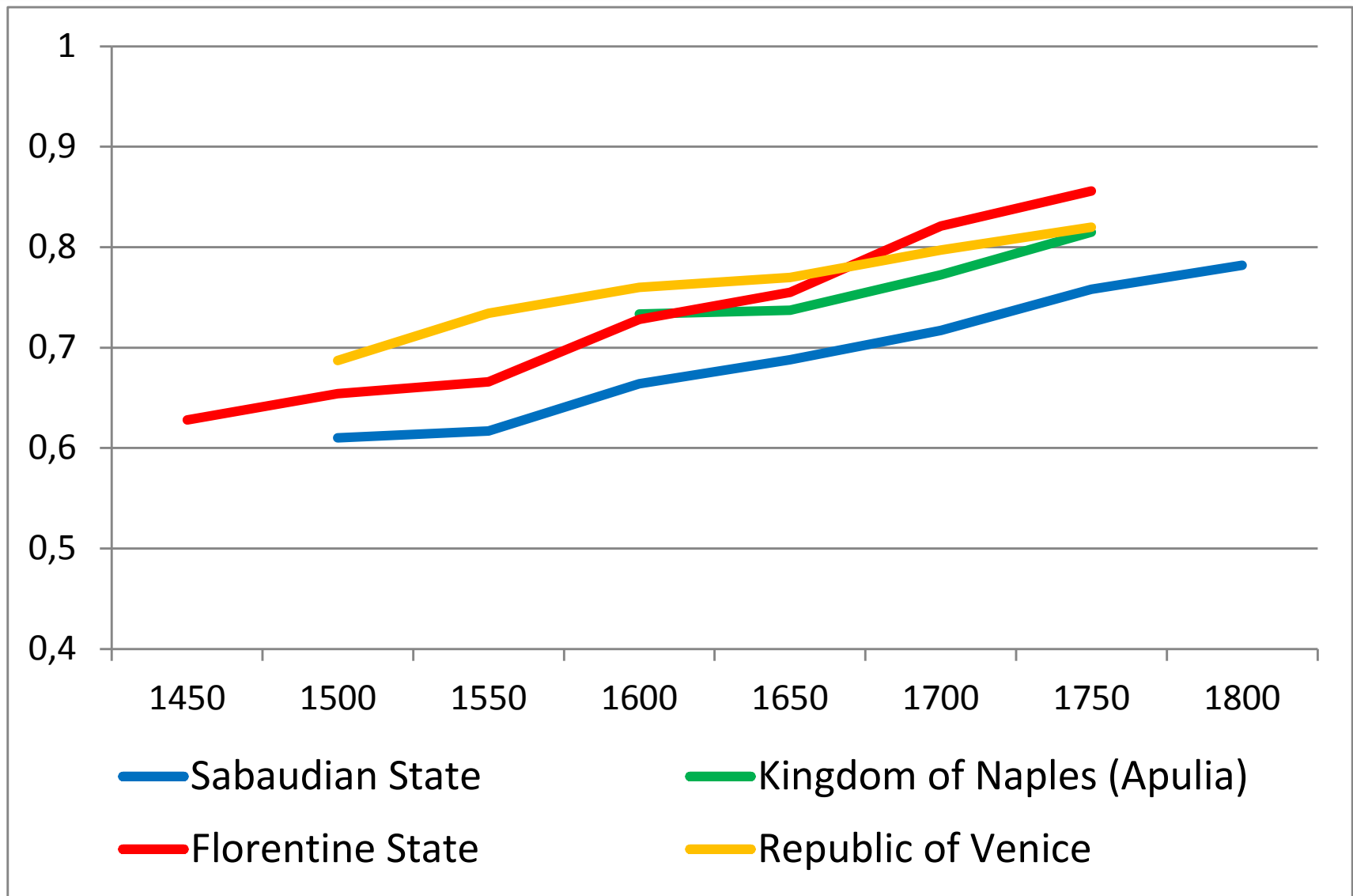
Taking the comparison beyond Italy: the Low Countries
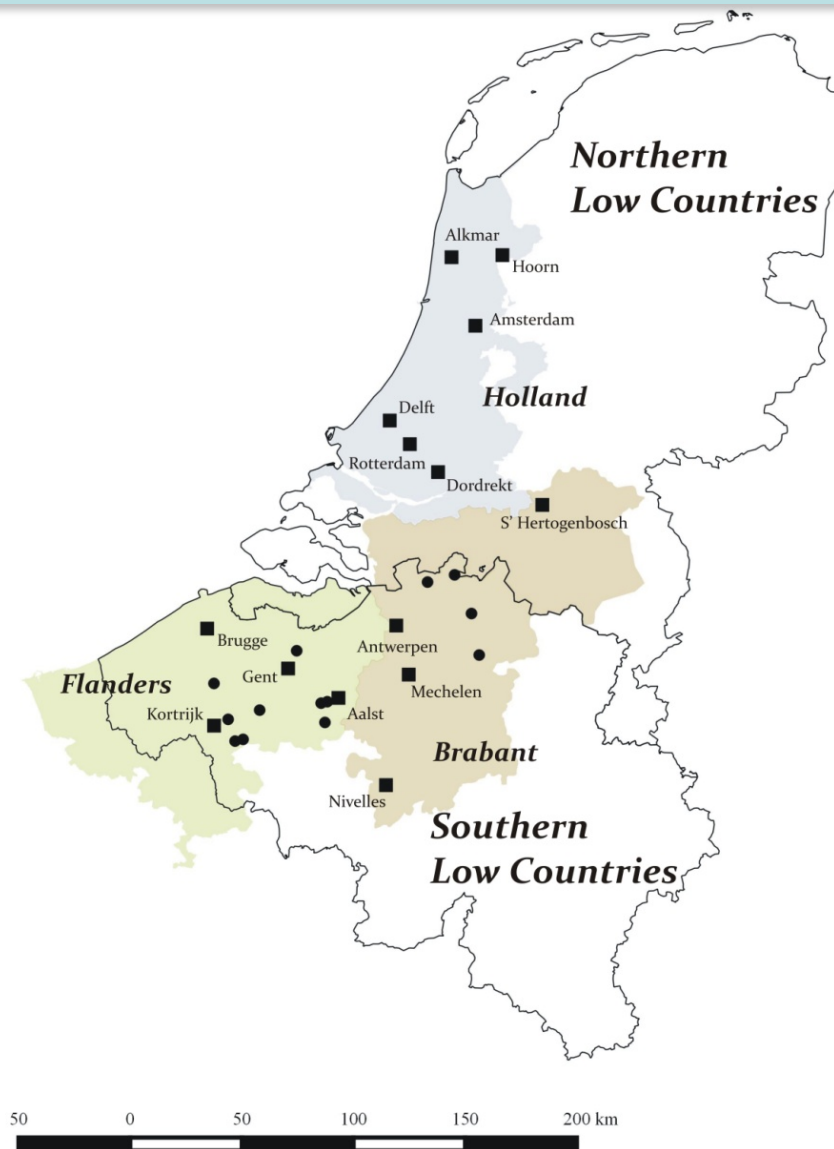
Regional trends in inequality (Gini)

Source: Alfani and Ryckbosch, "Growing apart in early modern Europe? A comparison of inequality trends in Italy and the Low Countries, 1500–1800", *Explorations in Economic History*, 2016

Possible explanations

- Across four different States, on both sides of the Little Divergence, we find empirically a broadly similar path of increase in economic inequality throughout the Early Modern period

- As it seems, no single causal factor can explain all four cases (plus Apulia and Veneto) for the whole period: this means there was no «necessary» condition to have inequality increase, but possibly a range of «sufficient» conditions. We are considering the following:
  - Economic growth
  - Demographic factors (urbanization)
  - Proletarianization
  - Institutions and politics (extraction of inequality)
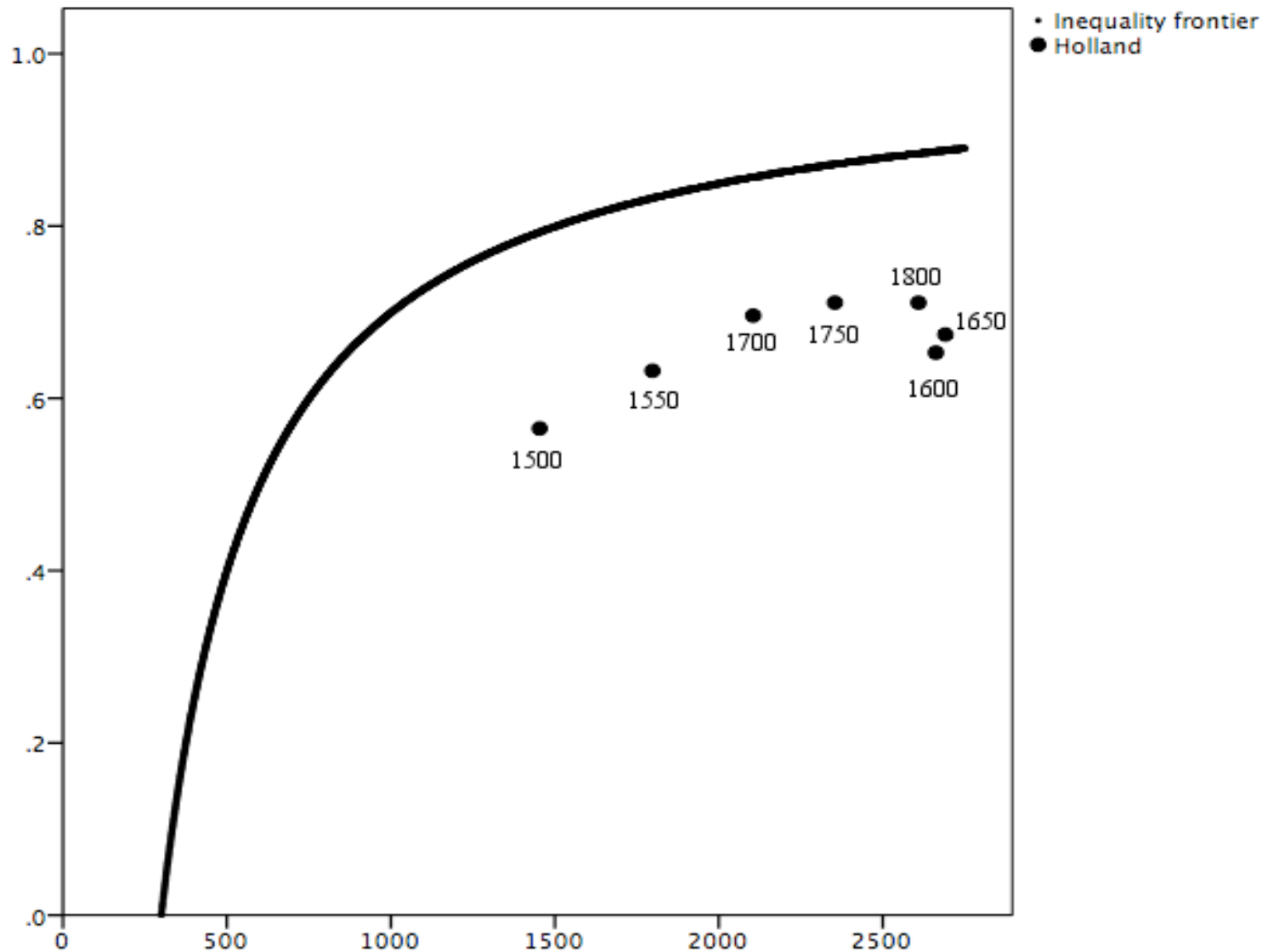
GDP per capita
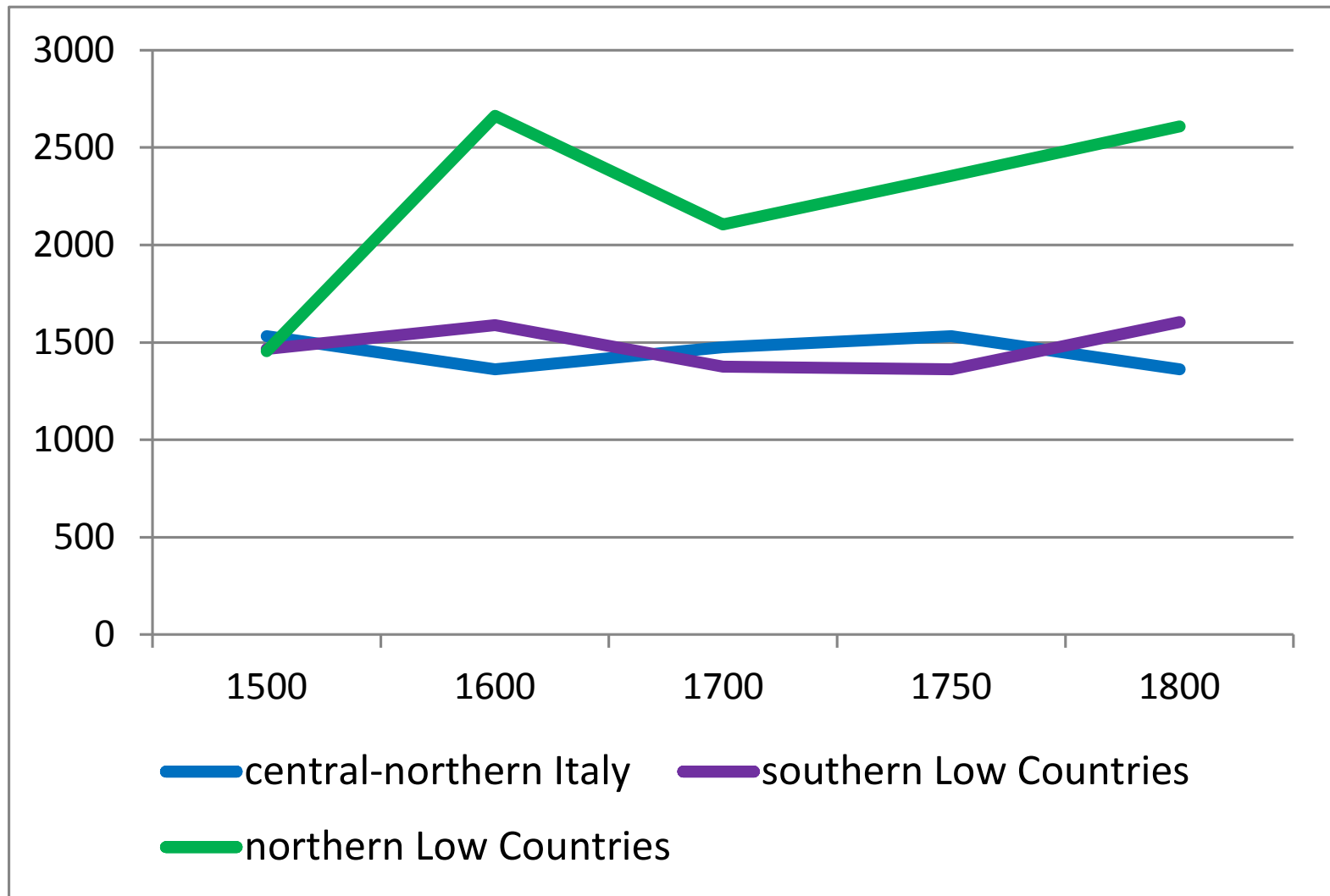
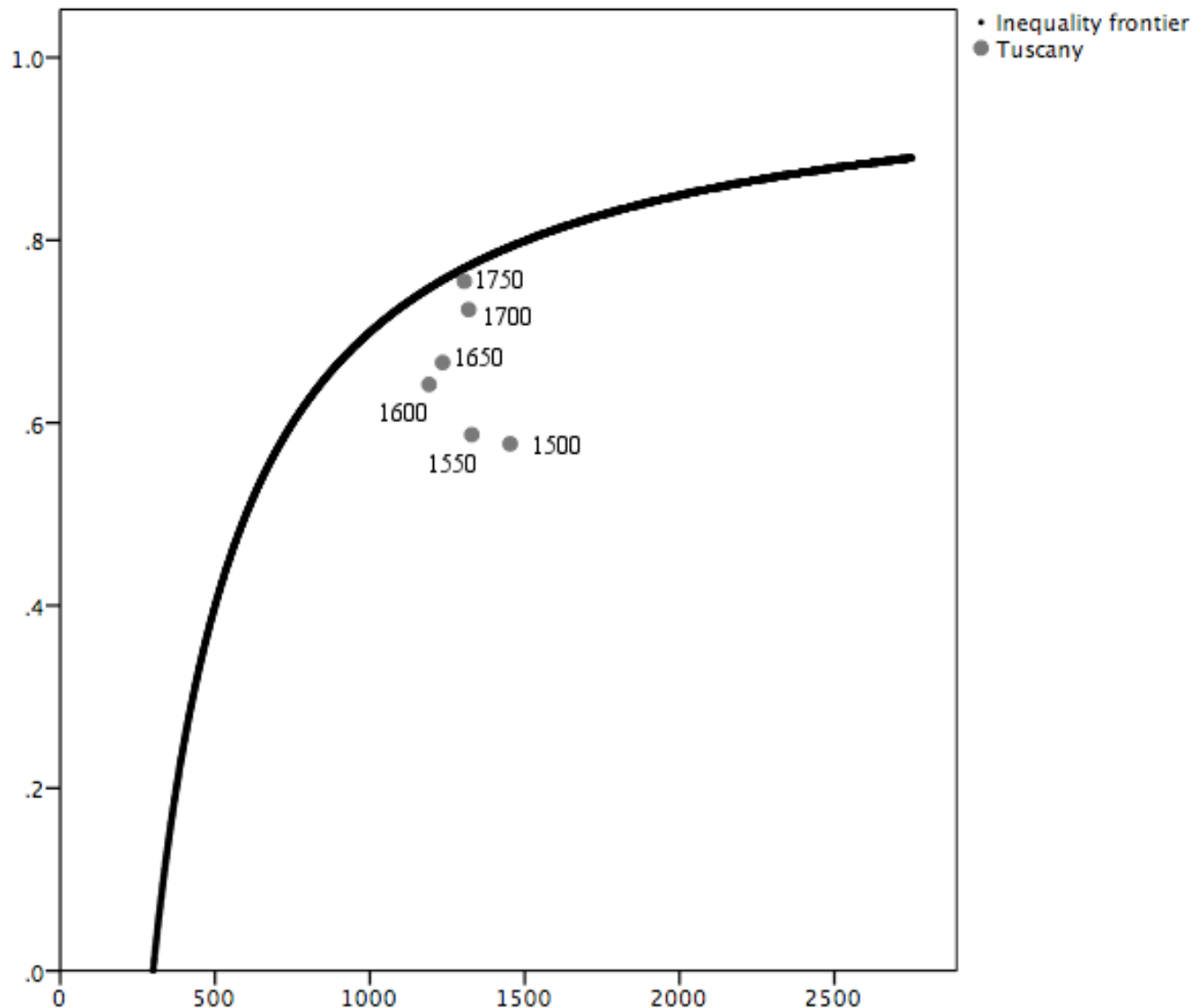Source: Maddison Project (2014)

Politics, institutions, & inequality extraction
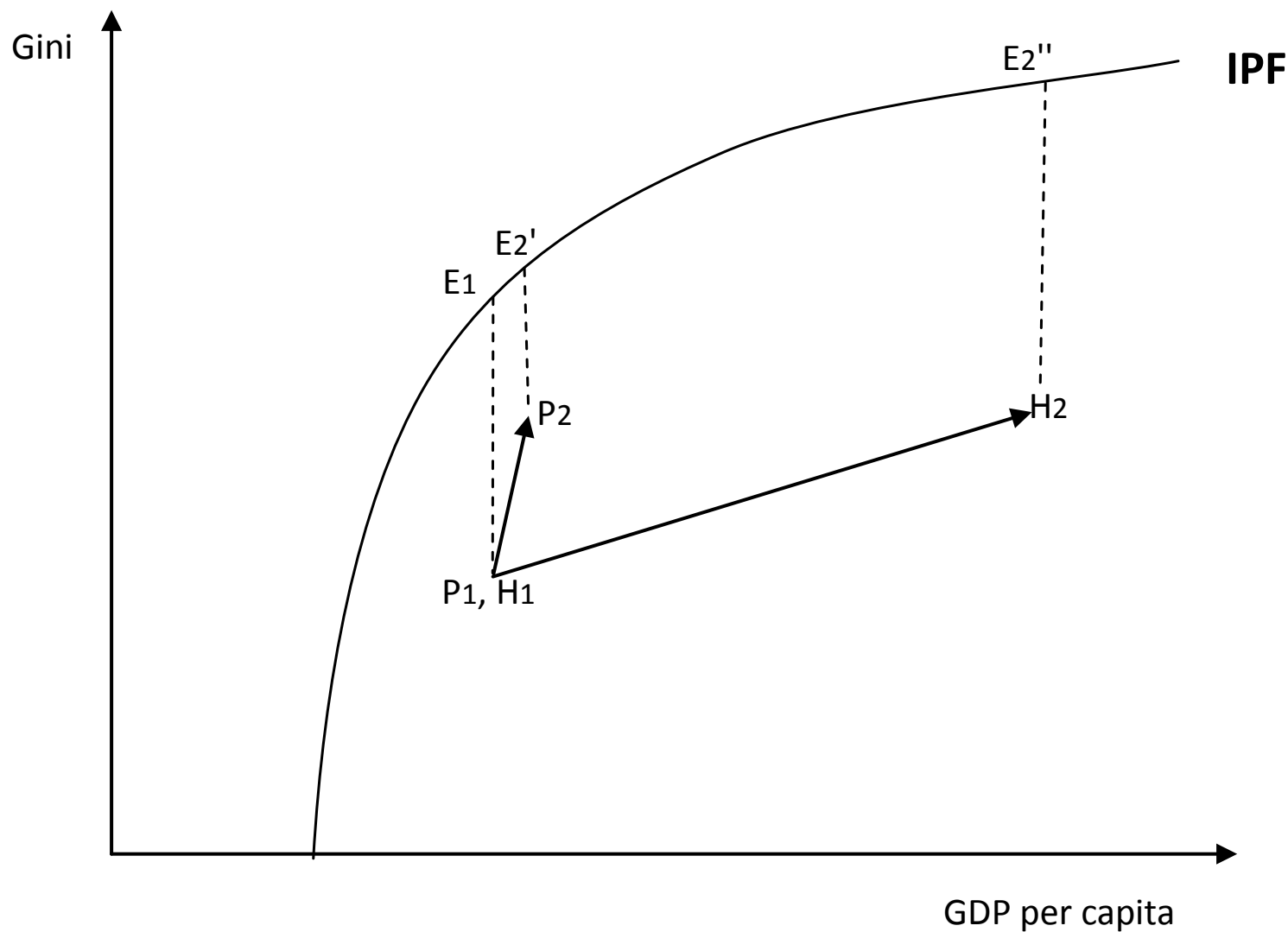
Extraction of inequality: the northern Low Countries…

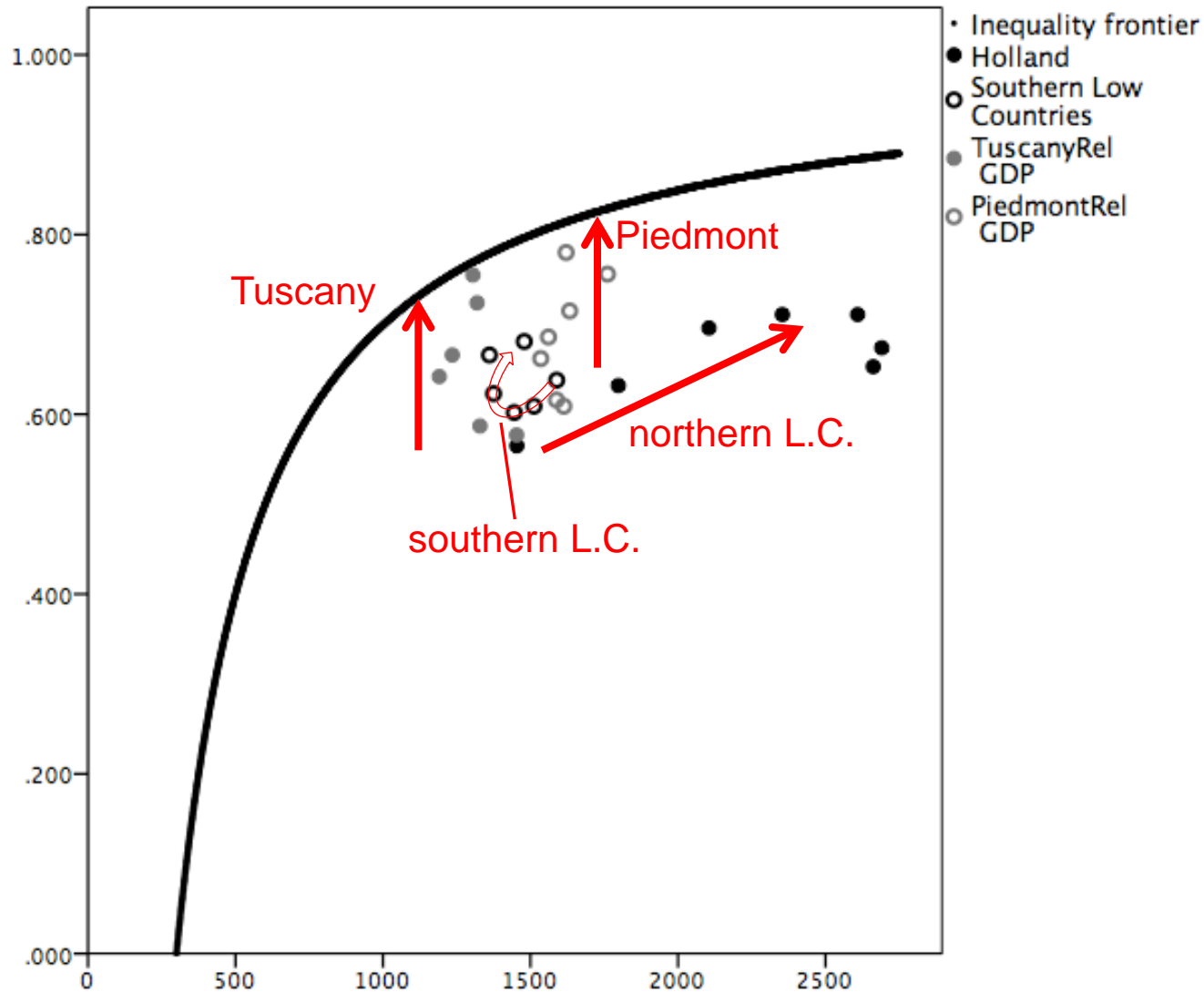# … and Tuscany

Converted Gini
coefficients
(1550 = 76% extraction
ratio, as in Northern
Low Countries)

All cases

Legend:
- · Inequality frontier
- ● Holland
- ○ Southern Low Countries
- ⬤ TuscanyRel GDP
- ○ PiedmontRel GDP

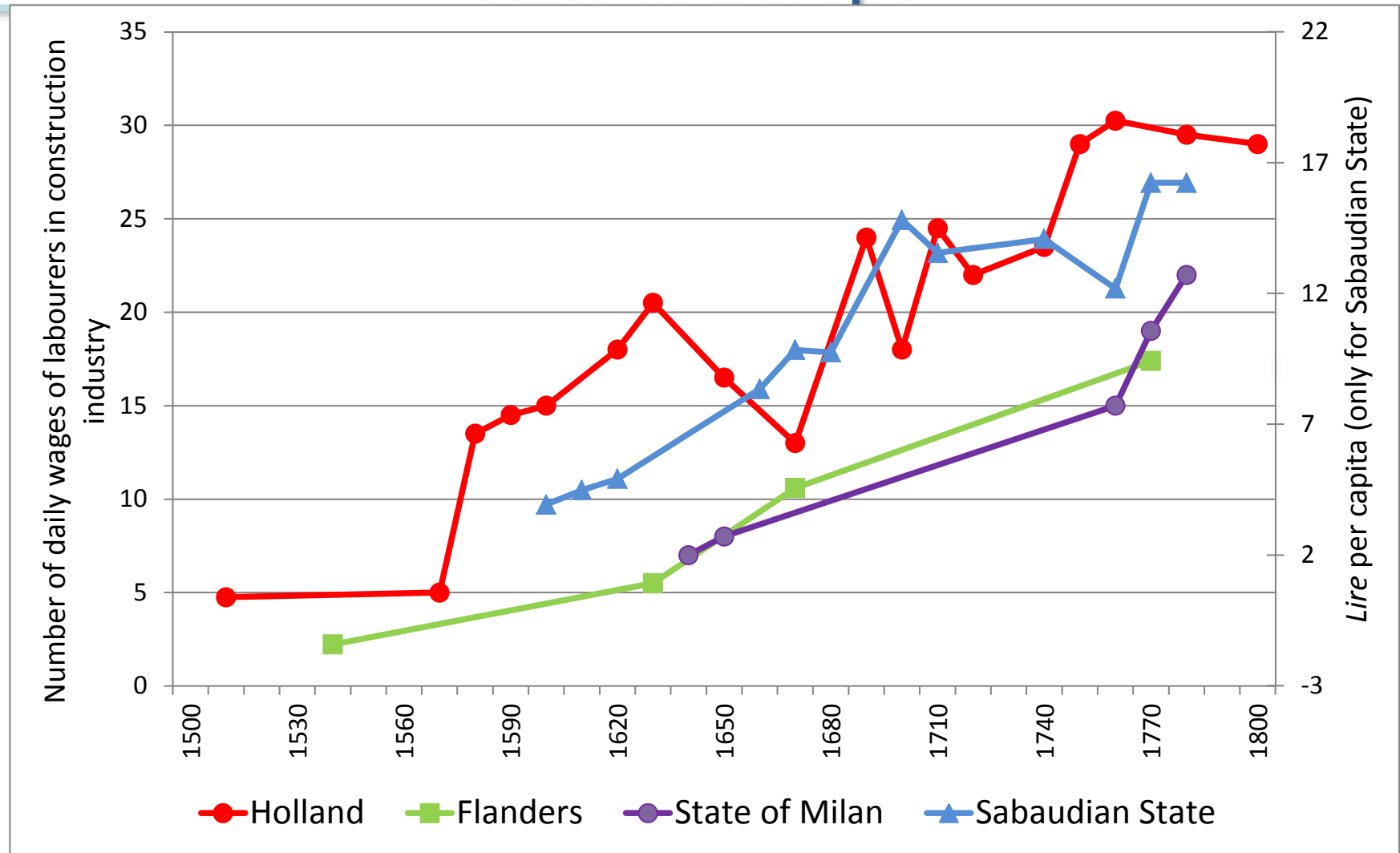Tuscany · Piedmont · northern L.C. · southern L.C.

Converted Gini coefficients (1550 = 76% extraction ratio)

Extraction ratios
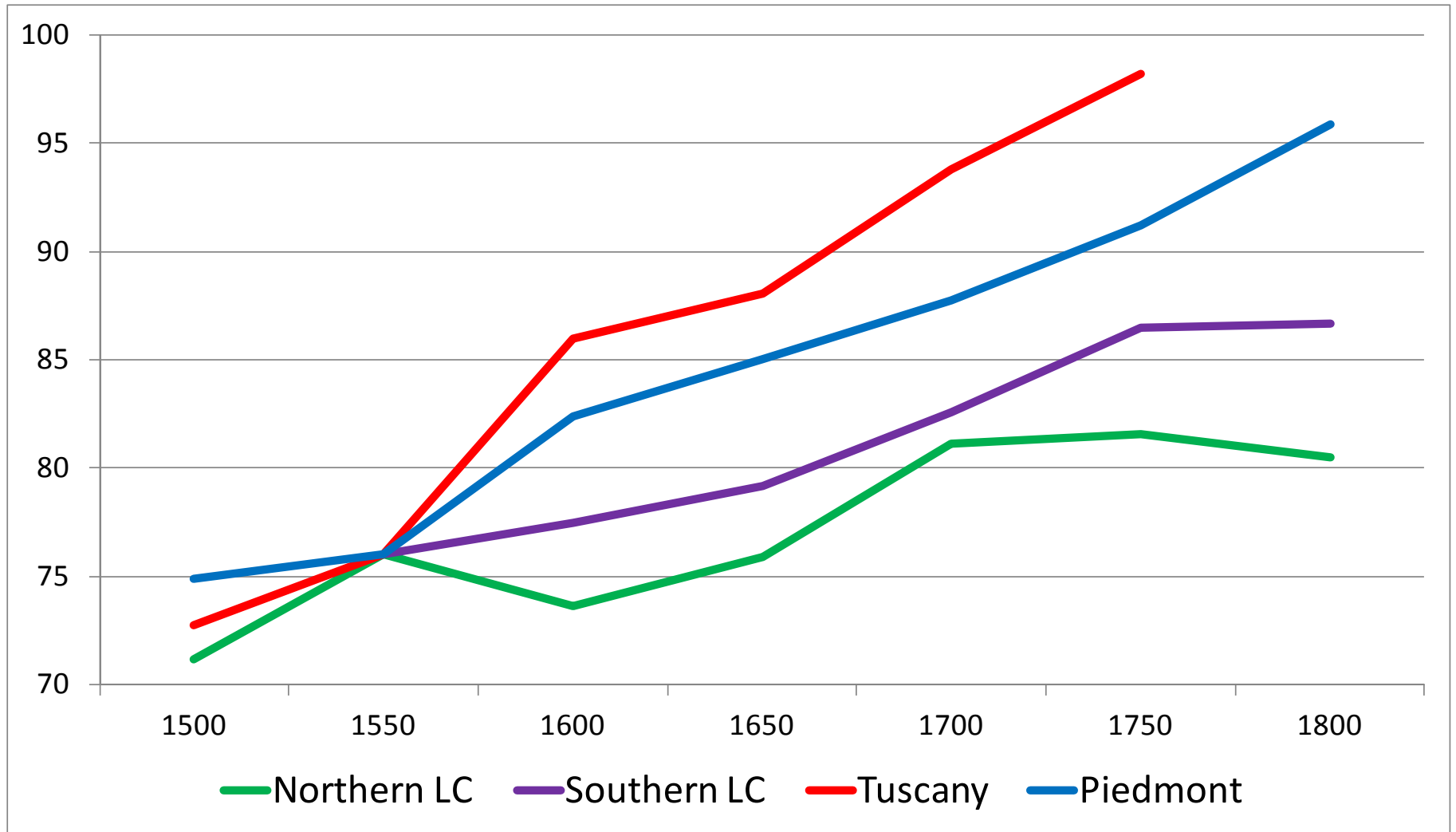
Converted extraction ratios: 1550 = 76%

# Increasing extraction and the rise of the fiscal state in Europe

Increase in per-capita fiscal burden, ca. 1500-1800

Politics and institutions

- The fact that although inequality grew everywhere, trends in inequality extraction ratios differed deeply suggests to pay particular attention to political and institutional factors.

- **The rise of the fiscal-military state**:
  - Growth of regressive fiscal pressure
    Relative exception: Dutch Republic
  - Inegalitarian Redistribution through interest payments & warfare
    And in the opposite direction: poor relief (2016 article by Van Bavel and Rijma, suggesting differences in levels of "social spending" across preindustrial Europe)

- **Processes of "proletarianization"**

The share of the top 10%
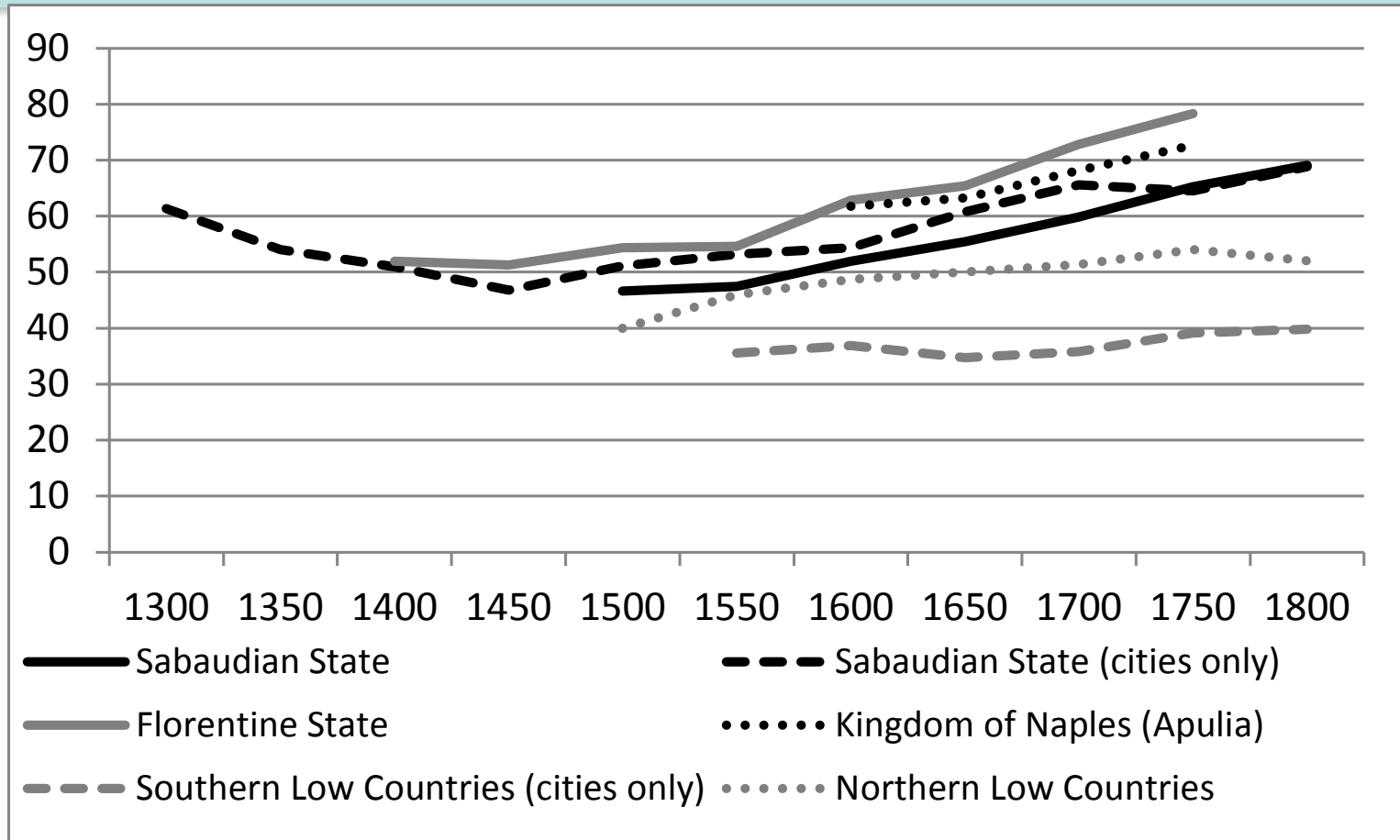
In Italy, where the figures refer to wealth (in the Low Countries they refer to income), for 1800 we found shares of the top 10% very close to those proposed by Piketty (2014) for Europe in 1810: about 80%

Connecting to the present: the share of wealth of the top 10% in Europe, 1300-today
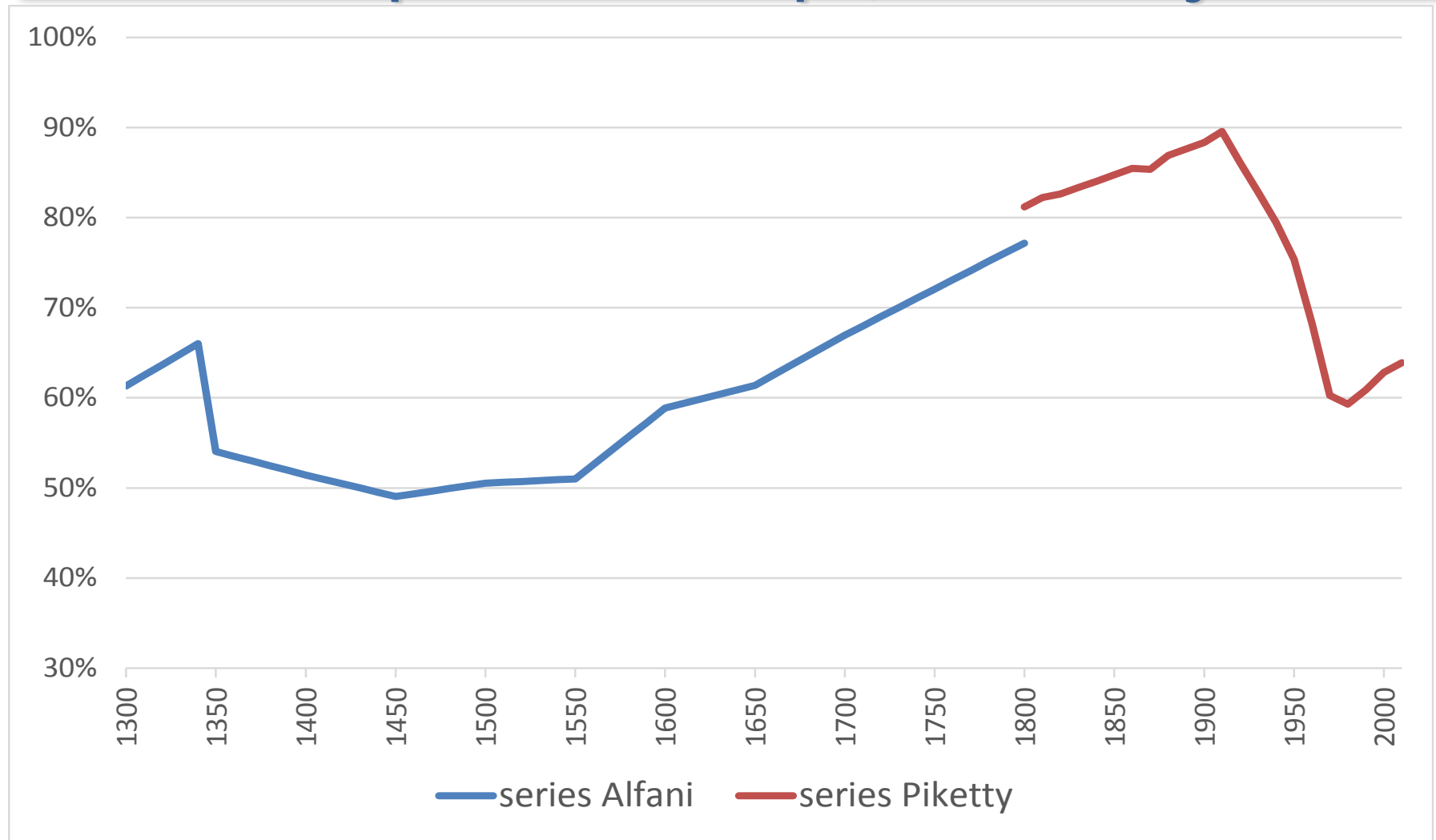
Source: Alfani, *The top rich in Europe in the long run of history*, Vox, 15 January 2017

Key references

- G. Alfani, *The top rich in Europe in the long run of history*, Vox, 15 January 2017
- G. Alfani, "Economic inequality in northwestern Italy: A long-term view (fourteenth to eighteenth centuries)", *Journal of Economic History*, 2015
- G. Alfani, "The rich in historical perspective. Evidence for preindustrial Europe (ca. 1300-1800)", *Cliometrica*, 11(3), 2017
- G. Alfani and F. Ammannati, "Long-term trends in economic inequality: the case of the Florentine State, ca. 1300-1800", *Economic History Review*, 2017
- G. Alfani and W. Ryckbosch, "Growing apart in early modern Europe? A comparison of inequality trends in Italy and the Low Countries, 1500–1800", *Explorations in Economic History*, 2016
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- B. Milanovic, P. Lindert, J.H. Williamson, (2011), "Pre-Industrial Inequality", *The Economic Journal*, 2011
- T. Piketty, *Capital in the Twenty-First Century*, Belknap Press of Harvard University Press, Cambridge 2014
- W. Scheidel, *The Great Leveller: Violence and the Global History of Inequality from the Stone Age to the Present*, Oxford University Press, Oxford 2017
- G. L. Van Zanden, "Tracing the beginning of the Kuznets curve: western Europe during the early modern period", *Economic History Review*, 1995

Thanks for your attention!