Inequality and Economic History

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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

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

The Tuscan regional reconstruction

## Findings from regression analysis (on Tuscany)

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

Comparing regional trends in Italy: Republic of Venice, Sabaudian State, Kingdom of Naples and Florentine state (for now!)
Regional trends in inequality (Gini)

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

![Graph showing relationships between Gini coefficient and GDP per capita]

- E1
- E1'
- E2'
- E2''
- P1, H1
- P2, H2
- IPF
- Gini
- GDP per capita

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Extraction of inequality: the northern Low Countries...
... and Tuscany

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

Converted Gini coefficients
(1550 = 76% extraction ratio)
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. 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!