



UNIVERSITY OF OXFORD

**Oxford Economic and Social
History Working Papers**

Number 177, February 2020

***A Noi!* Income Inequality and Italian Fascism: Evidence
from Labour and Top Income Shares**

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Abstract

A century after Mussolini's seizure of power, distributive trends during Interwar Italy are only partially known. This paper presents new evidence on inequality, contributing to the 'classic' debate on Fascism's origins and legacy. Labour shares fell dramatically during the Great War, quickly recovered by 1922, and experienced a steady decline during Fascism, reaching a secular minimum in early 1940s. A newly assembled database of fiscal tabulations shows increasing concentration at the top between 1925 and 1936. These findings testify the fundamentally regressive nature of the Fascist regime, revealing significant discontinuity in Italy's long-run inequality trend.

JEL Codes : B12, D63, J31, N14, N34.

¹ I am especially grateful to my advisor Brian A'Hearn, for invaluable comments and support on this work, originally part of my MPhil dissertation. At various stages, I received valuable feedback from Stefano Fenoaltea, Alessio Gagliardi, Salvatore Morelli, Marco Molteni, Tahnee Ooms, Thomas Piketty, Marco Ranaldi, Gianni Toniolo, Vera Zamagni, and participants to the Annual Workshops in Economic and Social History (Oxford), the 3rd Interwar Economic History Workshop (LSE), the Workshops 'Development under Dictatorship?' (Lund and WEHC, Boston), the 'Globalisation and Inequality' Summer School (Groningen), the Utrecht Graduate ESH Seminar, the HHB Internal Review Meeting (Tor Vergata), the ESSHC (Queen's Belfast), the ECEHW Workshop (Bank of Italy), the 8th ECINEQ Meeting (PSE) and the 3rd Giornate di Economia Marcello De Cecco in Lanciano. All remaining errors are mine. I acknowledge generous funding from ESRC and Oxford Rokos and Scattered Scholarships.

Inequality and Fascism: A Classic, Open Debate

Almost a century after the March on Rome, that brought Benito Mussolini in power and marked the beginning of two decades of fascist regime, inequality trends in interwar Italy are still only partially known. The first fascist regime has not, in fact, been sufficiently investigated by economic historians; the major reference remains Toniolo (1980), intended as a starting point for further research after the first, intense debates of the 1970s – a time when both archival and statistical sources, critical for the understanding of the period, were still unavailable to the scholars, and when, using Atkinson's (1997) famous quote, concerns on inequality had still to be brought in from the cold. The last fundamental contributions to the debate on fascism, distribution and the middle classes are those by Sylos Labini (1974) and Zamagni (1980a), and could not be based on the tools developed by modern inequality scholars. Recent, innovative research based on historical household budgets provided decadal estimates of inequality in household incomes from 1861 to 1931 (Rossi et al. 2001, Amendola and Vecchi 2017), and revealed a secular decrease in income inequality: but did not shed light on crucial, short-term dynamics (notably World War I, the 'battle for the lira' and the Great Depression), as well as on the whole post-1931 period.

The aim of this paper is to contribute to this classic debate in Italian historiography, by discussing new series of factor and top income shares for interwar Italy. Factor shares transform existing evidence on wages into a synthetic, annual indicator of the split of national income between capital and labour. Top incomes, based on newly assembled data from the *imposta complementare progressiva* (a progressive income sur-tax introduced in 1925), represent the first evidence of personal income concentration in the 1930s. Combined with recent quantitative work on several dimensions of wellbeing (Toniolo 2013, Vecchi 2017), these new series make possible a first assessment of distributive trends in the period, and to place Italy in the broader international context. Even in the absence of a single, continuous and conclusive indicator, 'a reasoned application of all available evidence' can still inform historical analysis (Brandolini 2000, 228). All in all, the evidence seems to support an increase of income inequality throughout the period, captured by a sustained decrease of the labour share, and an increase of the share accrued by top incomes, at least until 1936. The fascist period, therefore, marked a reversal in the 'benevolence' of Italian industrialisation. In international comparison, these developments were in many ways anomalous. The nature of the sources naturally leads to

discuss the distributive consequences of the major fiscal and labour market reforms enacted by the fascist government.

From the 1920s, most ‘explanations’ and interpretations of the origins of Italian fascism had in fact attributed a significant role to distributional changes that occurred in the aftermath of the Great War. Contemporaries immediately identified fascism as a ‘revolt of the petit bourgeoisie’ - *piccola borghesia*, inclusive of small entrepreneurs (historically prominent in the Italian social structure) and the ‘humanistic’, educated middle class, ‘unable to find adequate employment’ (Morris 1996). For some American journalists, the March on Rome was ‘the most successful attempt of the middle class to contain the mounting waves of revolutionary socialism’ (Santomassimo 2006, 207). Later observers came to consider fascism as the ‘reaction’ of the upper *bourgeoisie* to the achievements of the working class in the revolutionary ‘red biennium’ 1919-1920. Mussolini was supposedly, at least initially, backed by the big industrialists. According to the liberal economist Ernesto Rossi (1966, 9), politicians were nothing more than ‘trained parrots’, not responsible for the blasphemies they had been taught by their instructors – the ‘commanders of the ship’ (*padroni del vapore*). The Great War first, and then the Great Depression, would have led to a dramatic increase in the degree of concentration of Italian industries, and endemic interdependence between large firms and banks. According to this interpretation, the upper classes took advantage of the impoverished middle class, which joined the fascist movement providing the mass support needed to crush the resistance of the labour movement. According to Chabod (1950), the labouring masses merely ‘accepted’ a regime they could not ‘destroy’, and that represented the interests of the big capitalists. With some differences, this ‘anti-fascist’ paradigm was shared by all the opposition to fascism – from liberals, such as Rossi or Chabod, to Marxists (notably, Togliatti 1976). A later, ‘revisionist’ approach, inspired by the work of Renzo De Felice (1975), highlighted political, even ‘spiritual’ developments, somehow reducing the emphasis on economic factors (Gagliardi 2014). Still, De Felice saw in the early fascism an expression of *emerging* middle classes. Mussolini embodied the political expectations of these rising groups, frustrated by the liberal State. Controversially, De Felice argued that the regime’s economic policies (stability in real wages, social welfare programs, job creation) were able to captivate considerable *consenso* (support) even from the working class, contrary to what had been assumed previously (Bosworth 1998, 121-128). Similar interpretations have been proposed for other fascist regimes, not only in interwar Europe.

In many ways, this classic debate echoes in the current discussion on inequality. Consider for instance Milanovic's (2016) discussion of the politics of inequality, and the 'peril' provoked by its dramatic increase. Both the rise of 'populist' movements, aimed at representing the anxieties of the middle class, and, on the other hand, the capture of democracy by the wealthy ('plutocracy'), mirror the historiographic interpretations of fascism. These concerns, and the role played by the interwar decades in the long-run narratives on historical inequality (Piketty 2014), inspired new research, especially on the German case. Recent works improved estimates of income inequality during the period (Bartels 2019; Gómez-Leon and De Jong 2019) and discussed the role of distributive issues in Weimar Republic voting behaviour (Galofré-Vilà et al. 2017).

Unfortunately, the same cannot be said about Italy. Sylos Labini (1974) rearranged census data to offer quantitative evidence on the evolution of Italian social classes. Vera Zamagni's works on aggregate wage series, on the other hand, showed the absolute and relative conditions of major groups of workers during the interwar decades. Her series are still the only continuous distributive evidence for the period, especially on the 1930s. While more recent works, such as those based on household budgets, did not enter the debate on fascism, historians have often assumed distributive trends as truisms. For instance, Preti (1980, 12) claimed that 'the gaps widened between the rich and poor, intellectual and manual labour, employed and unemployed, workers and peasants, men and women, healthy and sick, agriculture and industry, urban and rural, North and South, and so on...', without referring to quantitative indicators; the same can be said about the distributive consequences of fascist policies (and of the Great Depression), taken for granted in the debate on the *consenso*.²

When the hundredth anniversary of the March on Rome is approaching, an in-depth discussion of the evidence on economic inequality in the period seems urgent. As argued by Brandolini (2000, 213), the analysis of winners and losers (what used to be called 'political economy') stands out as 'a fundamental component of any economic and social history'. Indicators of inequality are, for instance, a necessary complement to the insightful works that documented and discussed the timing, extent and nature of industrialists' support to Mussolini (Sarti 1971, Melograni 1972). Together with a comprehensive discussion on workers' living standards, they are also needed to evaluate the legacy of a regime that introduced in grand style several social reforms, whose effectiveness still needs to be assessed, and among other, often contradictory claims,

² See, for instance, Colarizi (2000, 83-110 and 215-222).

propagandised a corporatist ideology, based on the ‘solidarity between all factors of production’ and the ‘conciliation of the contrasting interests of employers and workers’, as stated in the *Carta del Lavoro* (‘Charter of Labour’, 1927). At times, this corporatist rhetoric attracted widespread international attention, including the consideration of the first ILO Director-General, Albert Thomas (Santomassimo 2006, 188); today, it still inspires ‘progressive’ interpretations of Mussolini’s regime.

The paper is organised as follows: section 2 surveys available evidence on inequality and wellbeing in fascist Italy; section 3 presents the news series on labour and capital shares and comments their trends between the two World Wars; section 4 discusses fiscal sources available for tracing inequality trends in interwar Italy; section 5 presents the new series of top incomes from 1914 to 1952; section 6 discusses the reliability of this series, and in particular the issue of tax evasion. Section 7 concludes, placing the new figures in the wider context of interwar and Italy’s longer-run developments, and discussing the nature of the labour and fiscal policies reflected in the data.

The Economy, Living Standards and Inequality in Fascist Italy

The revised national accounts offer a renewed picture of the aggregate performance of Italian economy between the world wars. In terms of GDP, World War I was not a great shock: the new estimates amended the striking increase suggested by Rossi et al. (1993) and in pre-existing series, but exclude any dramatic recession (Baffigi 2015, 35-36): between 1914 and 1922, real GDP per capita grew annually by 0.3%. By that year, according to the latest release of the Maddison Project Database, Italy was still rooted in the European periphery, with 2,394 2011US\$ per capita – substantially less than Spain (4,935), Sweden (4,382), but also Ireland (3,492) and Greece (2,695) (Bolt et al. 2018); the picture looked rosier in the 2010 database, when Italy (2,631) advanced Spain, Greece (2,284 and 1,963, respectively), was slightly above Ireland (2,598) and lagged behind Sweden (3,105). If some of the re-ranking seems questionable, it should be noted that only the latest release incorporate the major revision of Italy’s national accounts, that led to discard the hardly reliable ‘boom’ during WWI reported in the previous estimates (Galassi and Harrison 2005). New series of industrial production substantially revised the aggregate performance of the two following decades, distinguishing between a first, ‘laissez-faire’ phase (approximately 1922-25), and a later period, characterised by ‘interventionist’ policies (Giordano and Giugliano 2015, 29). According to the new series, real GDP grew by

8.5 and 9.3% in 1922 and 1923. The re-evaluation of the lira in 1926 (the so-called *Quota 90*: see Cohen 1972) provoked a downturn (+0.8% and even -3% in 1927), but growth was back at 6.3 and 5% in 1928 and 1928, and the average between 1922 and 1929 is 4.7%. The revision of the accounts did not alter the immediate impact of the Great Depression, but rather its persistence: Italy returned to growth only in 1935, with the invasion of Ethiopia (Baffigi 2015, 35-38), consistently with the consequences of remaining in the gold standards discussed in Eichengreen (1992). However, according to Giordano et al. (2014, 24-25), the persistence of the recession was also due to cartelization policies aimed at boosting consumer prices, that in combination with wage policy, despite the stability of real wages implied an increase in firms' costs.

Those years also saw inflation back to positive figures, after years of deflation following *Quota 90*, that had halted the inflationary tendency of the early 1920s. Inflation had been high but never out of control during the Great War; it had risen suddenly in 1919, provoking social unrest, until the abolition of price controls on bread (February 1921), that allowed the government to reduce balance deficit and money creation, and bring it back under control (Fратиanni and Spinelli 1997, 108-127). What increased constantly was regional inequality, despite the regime claimed to have 'solved' the Southern Question: income gaps between regions reached their secular peak in 1951, and the divergence accelerated between 1931 and 1938. According to Felice (2011, 947), the Great War was beneficial to the industrial North, and 'the demographic, agrarian, anti-migratory, and autarkic policies of the fascist regime may have further hampered the prospects of economic progress in the south'.

Few and scarcely reliable data are available on unemployment levels. Official figures refer only to industrial workers, and even for them are considered 'lower bounds' (Piva and Toniolo 1988, 227-230). According to the monthly estimates by Zamagni (1994), the early 1920s' 'boom' immediately reduced the number of unemployed (300,000 in 1922, some 7% of the labour force). Unemployment increased again with the deflationary turn of 1926-1927, but became dramatic with the Great Depression, peaking at more than 800,000 in 1933 (c. 18% of the industrial workforce). Between 1931 and 1936, the censuses capture a decline in labour participation, with the striking exception of women and children. For both groups, this increase reversed a secular decline (Mancini 2017; Cinnirella et al. 2017).³ For agricultural workers, a proxy is given

³ Mortara (1978, 68) noted the effect on wages due to the increasing 'competition' by these groups during the 1930s.

by the massive increase of outward flows from rural areas, captured by administrative data despite the restrictions on internal migration introduced in 1931 (Gomellini et al. 2017, 222). They were not moving towards greater opportunities, considering that the number of industrial workers, from the peak of 6 million in 1929, fell to 4.3 in 1933, a 28% reduction (Giordano and Zollino 2015). International migration was curtailed by the destination countries: this had inevitably distributive consequences, given that according to the estimates by Gomellini et al. (2017, 237-238) had increased real wages in 1910, considering a counterfactual scenario of zero migration from 1870, by a factor between 13 and 22%, and it had definitely helped contain unemployment in pre-WWI Italy.

A heated topic in the classic debate on Italian fascism was the estimation of real wage series, to measure the evolution of workers' living standards. Despite early criticism on the underlying official sources (Preti 1980, 88-92), Zamagni's figures are unanimously considered reliable (Favero 2010). In her work, she described an 'egalitarian' tendency in 1919-22, when agricultural and industrial workers' wages converged towards public employees' (Zamagni 1983, 532). 'Income polarisation' followed in the 1920s and early 1930, when workers' incomes declined in real terms (Zamagni 1980a, 298). From 1935, the gap relative to public employees was reduced, but the levels remained below those of 1922. Historians of consumption identify, even in fascist Italy, 'modernisation' and 'consumerism' processes; the backward conditions of the country made them different 'in degree, rather than in nature' from developments in the rest of Europe (Cavazza 2016, 303-314). However, Sorrentino and Vecchi (2017, 14-15) show a dramatic deterioration of nutritional standards. Calories available per capita fell from 1927 ('two years after Mussolini's announcement of the "Battle for Grain"'), reversing the steady reduction in malnutrition that had started with Unification. Already by 1938, 'about one Italian in three was undernourished', compared to one in five in 1922 (*Ibid.*, 31-35).

As mentioned in the introduction, income distribution figures have been made available by Vecchi and co-authors. By applying post-stratification techniques to occupational data from censuses, they transformed a collection of almost 20,000 household budgets into representative, 'pseudo-surveys' (Rossi et al. 2001). This innovative methodology and database allowed them to estimate Gini indices for household incomes, one for each census year between 1861 and 1931. According to their latest estimates, the Gini index declined from 46 to 45.1 between 1911 and 1921, and to 44.9 by 1931 (Amendola and Vecchi 2017). The same database reveals an increase in poverty rates in 1921-1931 (from 27.3 to 29.4%), and the absolute decline of the incomes of the

poorest 50% of Italian families, whose income decreased in absolute terms (Amendola et al. 2017, 357-358). With only the ‘middle classes’ benefitting, the falling Gini depends on the mediocre performance of the top percentiles; these are, however, mostly the result of the parametric distribution adopted by the authors, given the few available observations (Amendola and Vecchi 2017, 331-332).

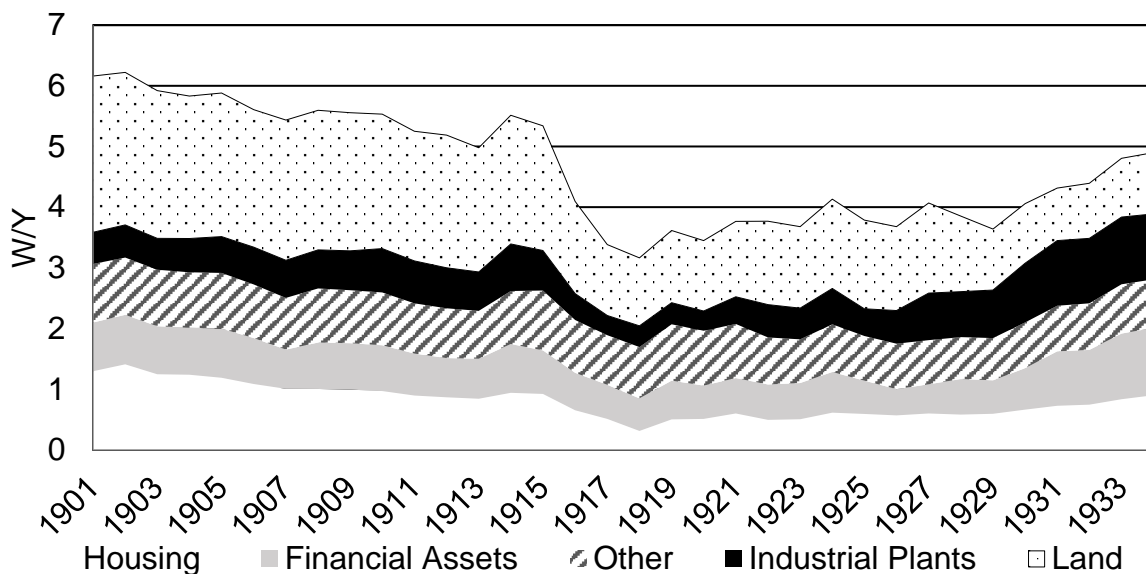
Talking about the wealthiest, a major shortcoming is the absence of any estimate of wealth inequality before the 1960s. Cannari et al. (2017) estimated the stock of private wealth, making possible to compute the wealth-to-income ratio (Piketty 2014). After a steady decline from the 1890s, and a fall during the Great War (probably due to inflation), in the interwar period the ratio rose from the minimum of 3.15 in 1918 to almost 5 in 1934 (**Error! Reference source not found.**). Contrary to most countries, however, W/Y did not collapse during World War II, and is still at comparable levels in 1951, when wealth figures become available again (Cannari et al. 2017, 402-403). Official tabulations of the estates taxed under the *imposta di successione*, available between 1890 and 1914, are suitable to apply the mortality multiplier technique to estimate the concentration of wealth among the population. Gabbuti and Morelli (2019)’s preliminary results show high and stable inequality, with the top 1% holding between 45 and 50% of private wealth throughout the period, in line with figures available for France, the UK and the US.

For the interwar period, only conjectures are possible, by combining information on the composition of wealth by asset type (from Retti-Marsani 1936-37) with evidence on the distribution of single assets.⁴ **Error! Reference source not found.** reproduces the wealth-to-income ratio decomposed into the major categories adopted in Piketty (2014). According to the same Retti-Marsani (1936-37, 49-51), industrial assets became relatively more important, because of ‘the effort made by the country to build up a real industrial sector’. Giordano and Giugliano (2015)’s new estimates confirmed both capital accumulation and the increase in concentration across all sectors, observed from the 1920s by Italian economists and resulting from fascist industrial policies. Building on works such as Saibante (1926), Zamagni (1980b) calculated Gini indices of the distribution of capital across industrial stock companies for 1916 (0.75), 1932 (0.88), 1938 (0.9) and 1941 (0.92). A government survey run in 1945, this time at the level of individual shareholders, revealed that 0.01% of shareholders owned more than one third of the capital (50% for financial firms) not in foreign of public

⁴ Retti-Marsani’s work, based on the ‘real inventory’ methodology (Gini 1914), was considered the most accurate at times, as reckoned also by historians (Zamagni 1980b); it is in fact a major source for Cannari et al.

hands (Zerini 1947, 74-76). Unfortunately, this rich source is inconsistent with previous data, collected at the firm (instead of the owners) level, and it is not possible to precisely infer trends. In the interwar decades, land became probably more equally shared; from the inflationary period of late-1910s, small proprietors increased their share (Serpieri 1947). Still, estimates by Martinelli (2016, 310-313) show that land distribution was very unequal in the late-1930s, in comparison with comparable data on Spain and Germany. In any case, from 1914, the relative weight of land had declined from 40 to 21% of total wealth. Overall, the increased importance of the capital of financial and industrial firms in the stock of wealth, as shown in Figure 1, and the growing concentration detected within these assets, suggest increasing wealth inequality, consistently with other historical evidence;⁵ but direct evidence on the issue is still needed.

Figure 1 – The Wealth-income-ratio, and the Composition of Total Private Wealth in Italy, 1901-1934



Source: author's elaboration on Retti-Marsani (1936-37). 'Other' includes mines, *mobilia*, and livestock. Series expressed as share of the W/Y ratio, with W from Cannari et al. (2017), and Y is GDP from Baffigi (2015) minus capital depreciation from Rossi et al. (1993)

Summing up: stagnating real wages, rising unemployment (apart for children and women), massive migratory movements, and increasing poverty and malnutrition (starting already in the period of 1920s growth); all seems to point toward a reversal of the long-run improvement of workers' living standards described by Vecchi (2017) and others for the decades after unification, and possibly even absolute worsening of the conditions of the poorest, especially, but not exclusively, during the 1930s.⁶ Some groups presumably

⁵ For instance, see Piketty et al. (2006, 238-239) on 19th-century France.

⁶ The definition of living standards adopted in this article reflects a focus on income and its distribution. This leaves out a fundamental aspect of wellbeing and fascist policies, such as health. See Atella et al. (2017) for a discussion, and Gallardo-Albarrán (2019) on the general improvements experienced by Western Europe in the interwar period.

improved their conditions (clearly public employees, the only ‘middle class’ for which reliable indicators are available): but workers, Southerners, children, the poor, were clearly worse off. Only conjectures are possible on wealth inequality, because figures on income distribution stop at 1931, and direct evidence on top percentiles is mostly missing. The rest of the paper will try to address these gaps, and to obtain a better picture of inequality in fascist Italy.

Labour Shares, 1915-1945

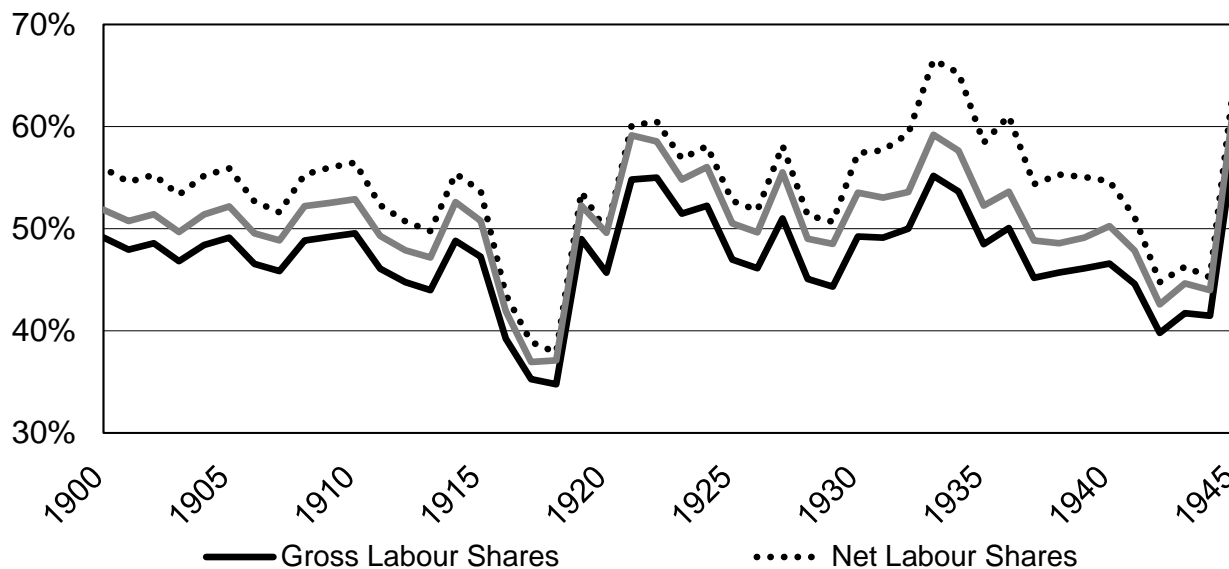
For several reasons, factor shares (the classic split of national income between ‘capital’ and ‘labour’) are the first inequality indicator to look at for Italian fascism. Functional distribution was the dominant concept of inequality distribution in the post-World War II decades, when the historiographical debate on fascism developed (Goldfarb and Leonard 2005), and the one embodied in the (vague) discourses of fascist, ‘corporatist’ economists. For instance, for the economist Francesco Vito, in the corporatist economy ‘the wage level is determined by ethical, political and social principles, rather than competition’; if it was too low to satisfy workers’ needs, ‘redistribution of wealth from other categories must be done’.⁷ Factor shares are the right metrics to evaluate similar claims. In Gabbuti (2018), I estimated and documented in full detail new factor shares for Italy from 1895 to 1970, consistent with the international database assembled by Bengtsson and Waldenström (2018) and with modern figures starting from 1951. A proxy for total labour income is obtained by multiplying series of workers’ compensation in the primary, secondary, tertiary and government sectors, from Rossi et al. (1993) (mostly based on the quoted works by Zamagni), by the consistent series of full-time-equivalent labour inputs, from Giordano and Zollino (2015)⁸. The labour share is then obtained by the ratio between labour and national income, and the capital share as its complement. Figure 2 shows the labour shares in three different formats: gross; net of capital depreciation; and for non-agricultural sectors only. The latter are preferred when dealing with societies at an early stage of structural change (Glyn 2009), while net labour shares are theoretically preferable when discussing distributive issues (Krueger 1999). In practice, however, the estimation of capital depreciation is not always consistent across countries and time, and gross shares are

⁷ Quoted in Gualerni (1976, 186). See Gabbuti (forthcoming) for a discussion on the debate on inequality in liberal and fascist Italy.

⁸ As discussed in Gabbuti (2018), the self-employed are included in Giordano and Zollino’s series, together with other workers in each sector.

considered by Bengtsson and Waldenström (2018) more reliable in historical analysis. Reassuringly, all series show very similar paths.⁹

Figure 2 - Labour Shares in Italy, 1900-1945

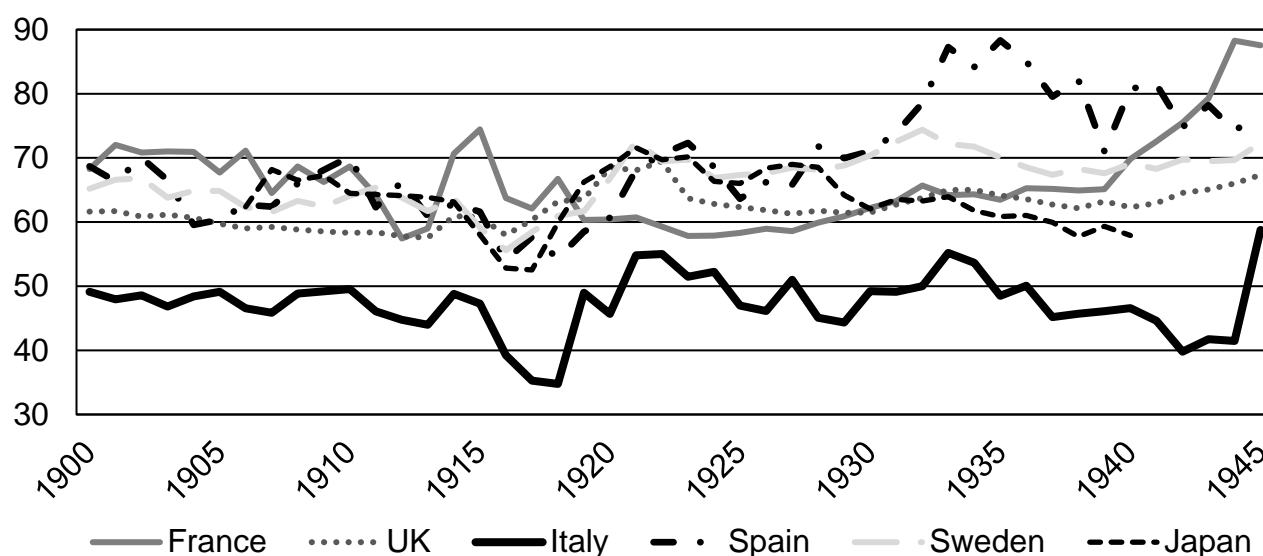


Source: elaborations on Gabbuti (2018).

Figure 3 puts Italian labour shares in international perspective. The methodology is entirely consistent, but idiosyncrasies in the underlying sources still suggests taking comparisons with a grain of salt. That said, before World War II Italian labour shares were extremely low by European standards. As discussed in Gabbuti (2018), these levels, historically far from implausible, match those of contemporary developing countries, and other peripheral economies in the period. Moreover, the result is consistent with evidence on real wages: recently, Federico et al. (2019) showed that the incomes of unskilled Italian workers, expressed in terms of subsistence baskets, lagged well behind European standards, in line with Chilean or even Bengalese workers.

⁹ Gabbuti (2018) discusses concerns regarding the level of the series, compared to Giordano and Zollino (2015). Still, all proposed corrections do not alter the 1900-1945 dynamics.

Figure 3 - Gross Labour Shares, International Comparisons, 1900-1945

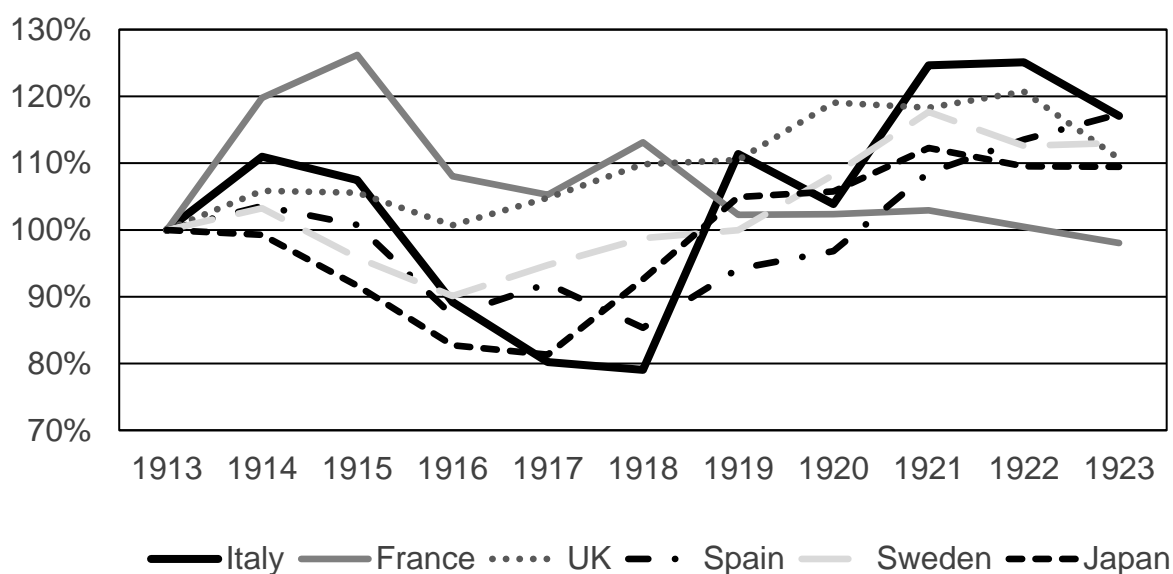


Sources: Italy as in Figure 2; others from Bengtsson and Waldenström (2015).

An international perspective also highlights the dynamics of Italian shares during the Great War. Labour's share lost almost twelve percentage point in the first two years of war (Figure 4).¹⁰ As for the W/Y ratio, we might be tempted to attribute this fall to inflation; however, several factors point towards a real interpretation of the findings. Social historians stress that in those years, Italy experienced an 'authoritarian system of control' that 'forced civil society to military discipline without effective parliamentary control' (Dogliani 2014, 14). Wages declined until the end of the war, even if mass conscription made the economy almost 'fully employed' (Galassi and Harrison 2005, 287); at the same time, the war effort was managed in an extremely disappointing way. Galassi and Harrison summarise the widespread complaints about 'favouritism, cronyism and corruption' and several scandals (*Ibid.*, 279-286), eventually leading to the institution of a parliamentary commission on illegitimate war profits (Ecca 2017). The dynamics of labour's share are, indeed, consistent with that of private consumption. According to the new series from Baffigi (2015), this component of national income more than halved from 1914 to 1919; the collapse is even more abrupt than the one observed in labour's share. This seems to explain the previously paradoxical slowdown in industrial production, that peaked in 1917 (that is, before the military disaster of Caporetto). By that year, Italy had probably reached the frontier of what could be asked of its working population: rather than a monetary phenomenon, labour shares seem to capture the relative consequences of an absolute, sharp decline in living standards.

¹⁰ As discussed in Gabbuti (2018) the result is robust to several alternatives, and survived the revision of national accounts, mentioned also in the previous section.

Figure 4 – Labour Shares in 1915-1922



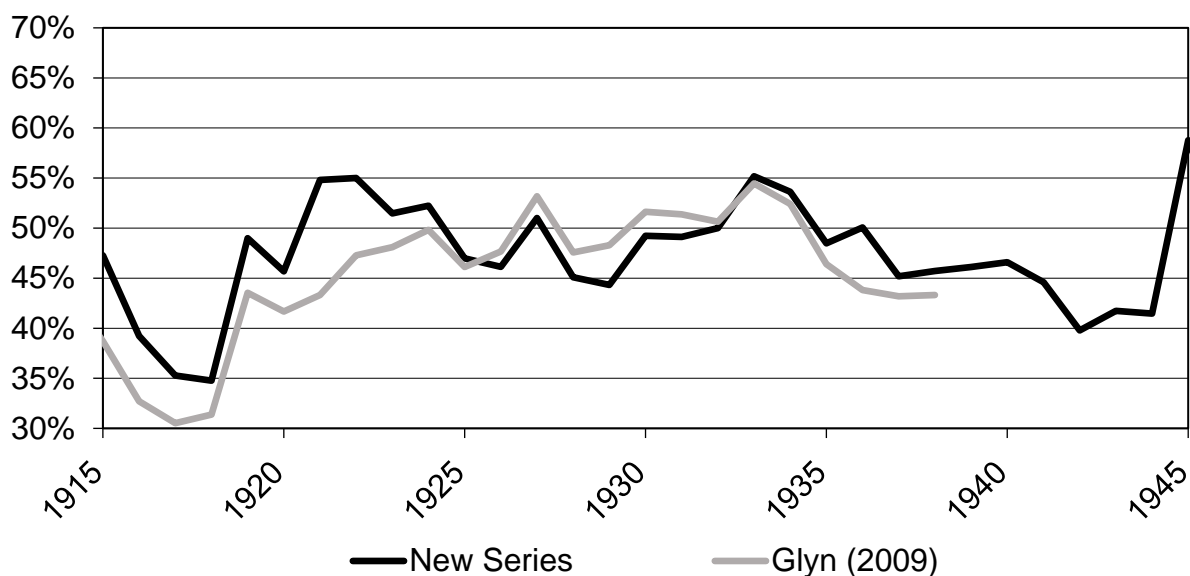
Sources: elaboration on Gabbuti (2018); figures are expressed as % of 1913 levels.

This should be considered when discussing the ‘equalising’ dynamics of 1919-1921 (Zamagni 1983). Traditionally referred to as the *biennio rosso* (‘two red years’), the period was characterised by labour unrest, and widespread factory occupations. The left was unable to exploit it politically, but trade unions obtained widespread wage increases, whose extent, with respect to the increase of prices and the war-time trends, was object of heated political and scholarly debate in the early 1920s (Gabbuti, forthcoming): the trend in labour share is consistent with figures on compensation in industry. In 1919, labour’s share recovered pre-Great War levels; from this year, the unrest became properly ‘political’. Workers obtained concessions in terms of ‘work discipline, factory councils, the right to dismiss workers and the like’, such as the national agreement on the 8-hour day in February 1919 (Zamagni 1991, 148-153). The actual application of the agreement was, however, limited; it did not cause a wide, lasting shift in real wages, as experienced by Sweden (Bengtsson and Molinder 2017). Still, in 1921-22, labour’s share peaked at 55%.

In the light of labour shares, the March on Rome (October 28, 1922) and what followed had an unquestionable impact on the working class. Compared to the previous estimates by Glyn (2009) (based on less reliable labour input and GDP series) the new series show a steady reduction after 1923 (Figure 5). The economic recovery of the early 1920s was not equally shared by the Italian population; falling unemployment was more than compensated by the relative decline of wages with respect to profits. As documented by Bel (2011), early fascist economic policies were strongly in favour of private business; most importantly, the

celebrated corporatist reforms provided Italian government with a unique control of the workforce. Contrary to the rest of Europe, the labour market became ‘effectively close to the competitive model’ (Mattesini and Quintieri 2006, 418). Corporatist trade unions, whose officials were appointed by the Government, were granted in 1926 a monopoly on representing the workforce (Gagliardi 2010, 35), but instead of using this as a monopsony power, in fact ‘acted mainly as a transmission mechanism of government policy decisions’, whose aim was to reduce the bargaining power of organised labour (Mattesini and Quintieri 2006, 418). Employers could ‘hire and fire workers at will’; the workforce ‘experienced high mobility in and out of unemployment’. These were the key weapons in the battle for re-evaluating the Lira (Cohen 1972). Mussolini was among the few to win a policy argument against Keynes: the infamous fascist ‘castor oil treatment’ forced wages and hours to fall and drove the lira to the desired parity (Toniolo 1980, 112). Some firms might have seen reduced profits; but wages fell more, and as a result, capital’s share of national income increased.

Figure 5 - Gross Labour Shares, 1915-1945: Fascism Revisited?



Source: elaborations on Gabbuti (2018).

Labour shares increased, however, during the Great Depression, that hit Italy in 1930. This increase seems hardly a consequence of redistributive or countercyclical policies, in particular, as shown in Gabbuti (2018), transfers have a negligible impact on the labour share. Rather, as shown by Figure 3, this happened everywhere, as profits are more elastic than wages to recessions (most recently in the 2008 recession: ILO and OECD 2015). Public works increased in the early 1930s, but they did not reach, as a share of GDP, the peaks of the liberal period (Cecini 2011), while public employment rose only from 3.5 to 5.25% of the FTE labour

force between 1929 and 1939. According to the historical series by Istat (2011), net welfare transfers were negligible; in 1935 Thaon de Revel, the Treasury Minister, contrasted the ‘efficiency’ of fascist policies with the ‘dozens of billions wasted in unemployment benefits’ by other nations.¹¹ In fact, as argued by Mattesini and Quintieri (2006, 420-422), ‘the two major types of intervention’ to fight unemployment were a ‘policy of wage cuts’, and the forced reduction of working hours (so-called ‘work sharing’), with a significant reduction of wage income. A generalised cut of 8% was imposed as early as November 1930, and a further 7% was approved in 1934. As a result, Italian labour shares declined again, after the recession reached its low point.¹² The invasion of Ethiopia led to monetary and fiscal expansionary policies, but again, these did not benefit workers. In their estimates of firms’ mark-up, Giordano and Zollino (2017) confirm the results of the shift in industrial policies discussed by Giordano and Giugliano (2015): in 1930s, higher mark-ups were the natural of the explicit support for cartels and monopolies. In 1942-44, labour shares reached new minimums since World War I, in all the specifications discussed in Gabbuti (2018). A decomposition by sector shows that the decline was more sustained in industry, at least until the mid-1930s. The trend in agriculture is more ambiguous, but it should be noted that the weight of this sector, in terms of both workers and value added, was declining during the period.

Though a simple indicator, the labour share captures the impact of fascist economic policies on both the wage and occupation levels and relates them to the overall performance of the Italian economy; it sheds new light on distributive trends in the interwar decades. In fact, as shown by Prados de la Escosura (2008, 290) for pre-1950 Spain, the functional distribution captures a key driver of inequality, in societies in which within-labour heterogeneity (better captured by means of household budgets) was possibly less relevant. Prados de la Escosura also stressed that ‘changes in the distribution of income between workers and proprietors should not be neglected if we want to keep the political dimension in the study of inequality’ (*Ibid.*, 299). In this sense, the economic consequences of Mussolini’s rule seem to have been unambiguously regressive. After the collapse during the Great War, and the labour unrest that followed, the share obtained by workers declined substantially after the fascists seized power. This happened during the laissez-faire policies and economic

¹¹ Quoted in Toniolo (1980, 289). Benefits were not only considered unproductive, but responsible of ‘pushing millions of workers away from the healthy practice of work’.

¹² Toniolo (1980, 299) already suggested similar dynamics for the years 1935-37, looking at the difference between real wages and work productivity estimates then available.

growth of 1922 to 1925, the harsh deflation of the late-1920s, and also in the 1930s recovery. The corporatist reorganisation of labour markets did not align wages to the ethical and social principles claimed by fascist economists, but rather increased pressure on wages. The share of capital remained high and increased for most of the period – possibly contributing to consolidate industrialists’ support of the regime. Level, trends, timing: all of the labour share evolution seem to vindicate classic, anti-fascist interpretations.

Fiscal Reforms and Fiscal Sources between the Wars

Can we say more of what happened at the top of income distribution? When Alvaredo and Pisano (2010) looked for historical fiscal income tabulations for estimating top income shares, they found nothing before 1974. In fact, official publications are abundant, but not always insightful, and considered sceptically by most Italian historians (Frascani 1978). However, they might be the only available source for investigating short-term variations in the personal income distribution. Using similar sources, for instance, Bartels (2019) could recently verify that income concentration had increased in Germany during the Great War. In this section, I discuss existing fiscal evidence on the personal income distribution in interwar Italy. Useful information was often reported in secondary, scholarly publications. Apart for 1952, the resulting data are not as complete as the official tabulations generally adopted in the literature, but informative all the same.

The focus must be limited to income, because in December 1923, in the middle of his ‘battle’ to balance the budget, Mussolini’s Finance Minister, Alberto De’ Stefani, de facto abolished the inheritance tax. Only transfers outside the family (defined as ‘ascendants, descendants, spouses, siblings, uncles/aunts, nephews/nieces’) were taxed. Revenues fell from 6.2% to 1.6% of total direct taxation between the fiscal years 1922-23 and 1927-28 (Trupiano 1982, 227-229). This was an anomaly: in all belligerent countries the mass mobilisation of the Great War led to a sharp increase in the progressive taxation of income and estates (Scheve and Stasavage 2016). In Italy, the liberal Giolitti won the 1919 elections promising progressive taxation on ‘war profiteers’ and the wealthy (Ecca 2017, 13), while the Socialist Party endorsed the radical inheritance tax proposed by Eugenio Rignano (Di Bartolomeo and Erreygers 2007). De’ Stefani admitted that his reform ‘distance[d] Italy from the universal tendency of our times’. Fascist positions had quickly evolved: ‘a severe, extraordinary, progressive levy on capital, to carry out a real, partial expropriation of all family fortunes’, included in the 1919 the manifesto, was replaced two years later by the promise ‘to simplify taxes, and

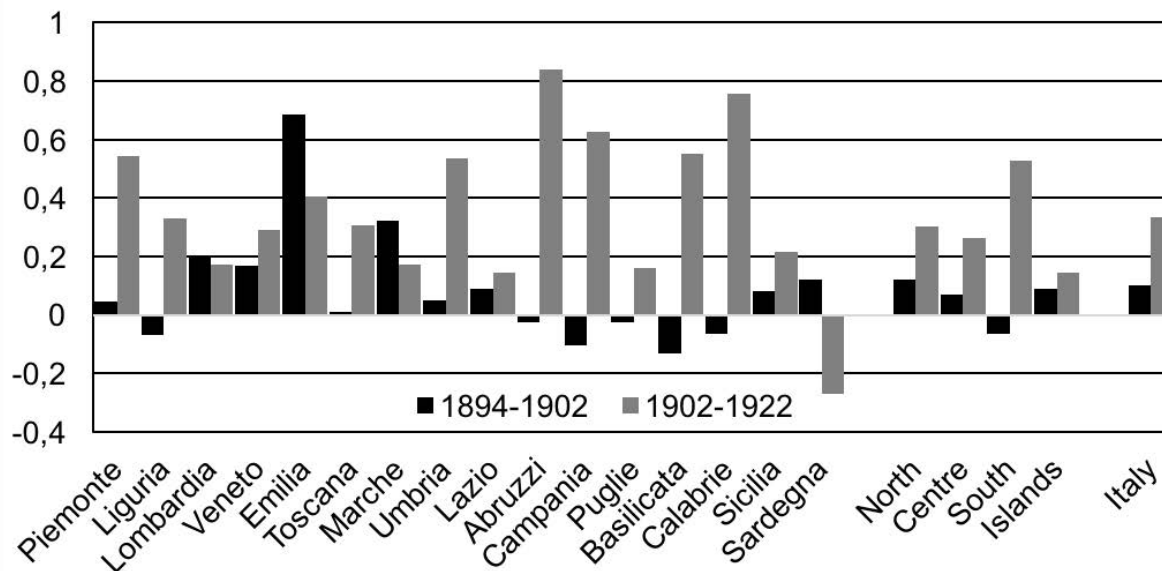
distribute them proportionally, without bias against any group of citizens, or confiscatory progressivity'. Still, the party asked for 'the publication and verification of inherited wealth figures' (De Felice 1966, 759). In the words of Einaudi (1927, 759), 'nobody could have imagined' such a reform. The tax was to be reintroduced at lower rates in 1930, but revenues remained low.

For the Great War, income tax statistics include only imperfect evidence, pointing to some increase in the concentration of income. First, a peculiar volume published by the Finance Ministry in 1918 listed the 228 firms and individuals that between August 1914 and December 1915 had registered at least one million lire of 'war-related extra profits' (Ministero delle Finanze 1918). Defined as returns of more than 8% of the capital invested (net of production costs and taxes), these profits had been the object of an extraordinary levy (Ecca 2017). These figures must be considered a lower bound (they covered only the legal revenues declared by the firms, and only by a small part of them), but could proxy for the increased incomes of a small group of wealthy shareholders. Even in the first few months of Italy's intervention, these firms accrued 900 million extra profits, equivalent to some 5% of national disposable income in 1915. Unfortunately, in his first days in office, the same De' Stefani disbanded the Parliamentary board of enquiry on war profits, preventing it from issuing an informative final report.

A second source is represented by a forgotten book by the statistician Silvio Orlandi (Gabbuti, forthcoming). Encouraged by the President of the National Statistical Agency Corrado Gini, Orlandi (1933) analysed the available information on the *imposta di ricchezza mobile* – the main tax on income in Italy from unification to the early 1970s. Under this tax, incomes were reported (and taxed) by source. Rents from land and buildings were separately taxed by the *imposta fondiaria* and *imposta sui fabbricati*, respectively, while the *ricchezza mobile* covered capital, 'mixed' incomes (i.e., from entrepreneurial activity) and labour (mostly made by professionals, given that dependent work was exempt until the 1920s) (Alvaredo and Pisano 2010, 644-650). Tabulations, and even extensive 'lists of taxpayers', were often published by the Ministry of Finance, especially on those categories (businesses and professionals) considered more likely to under-report. In his work, Orlandi computed Gini indices for all Italian provinces, and all business sectors, based on the lists issued for 1922; then, he compared his results to the same indices, obtained from the tabulations available for 1894 and 1902. The interpretation of these differences is limited by the truncation of the original distributions, and possibly also by inflation. Moreover, if the same person had two different businesses, the resulting incomes

were reported separately. Still, the figures show a marked increase in within-business income inequality, especially between 1902 and 1922 (Figure 6).¹³

Figure 6 - Change in Gini Index, Taxed Incomes in Trade and Industries

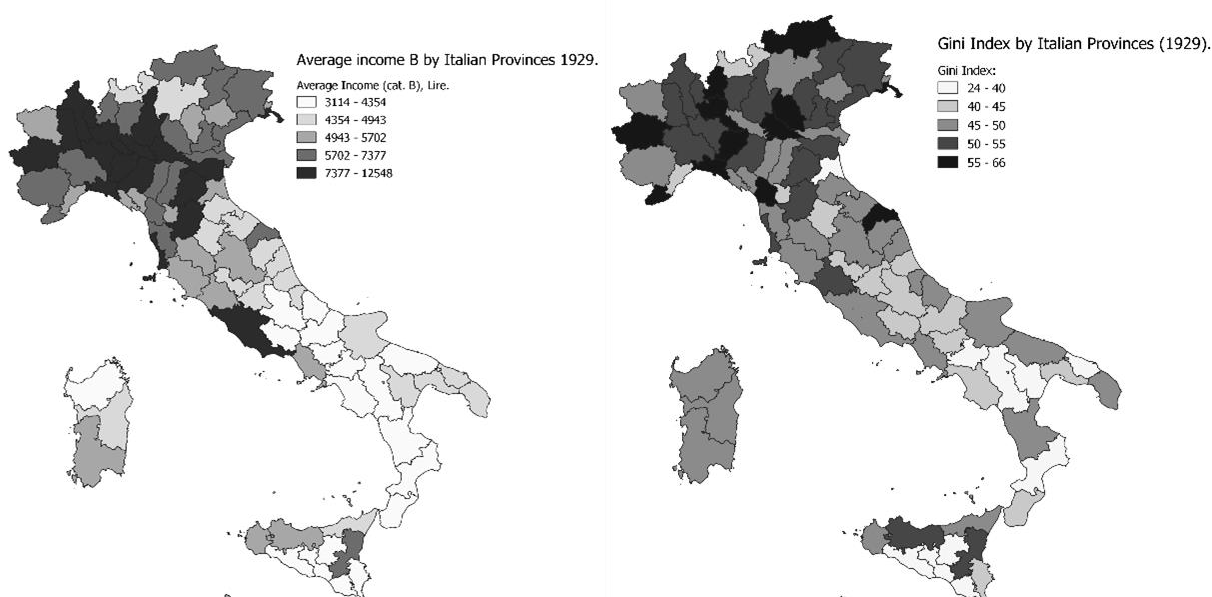


Source: author's elaborations on Orlandi (1933), tab. XXVIII.

Moreover, with all their caveats, Orlandi's figures makes possible to consider the regional aspects of personal inequality. As clear from Figure 7, the concentration of the 'industrial' incomes at the provincial level in 1929 was very correlated with the level of economic activity – a relationship that was clear at least since Gini (1914)'s work on estate records. While focusing only on specific incomes, and possibly biased by differential incidence of tax evasion, Orlandi's figures also offer a new, more granular picture of the widening of regional divides during the period, with most of the southern provinces seriously falling behind, not only to respect with the North-Western traditional industrial centres, but also to most of North-East and Central Italy. The current state of the evidence makes not possible to analyse the impact of such changes on personal income distribution, but even regional level evidence such as the one discussed by Felice (2011) suggests this (negative) force was at work with much greater intensity in the interwar decades.

¹³ The results are similar looking at single professions and activities.

Figure 7 – Mean Taxed Income (left) and its Concentration (right) across Italian Provinces, 1929



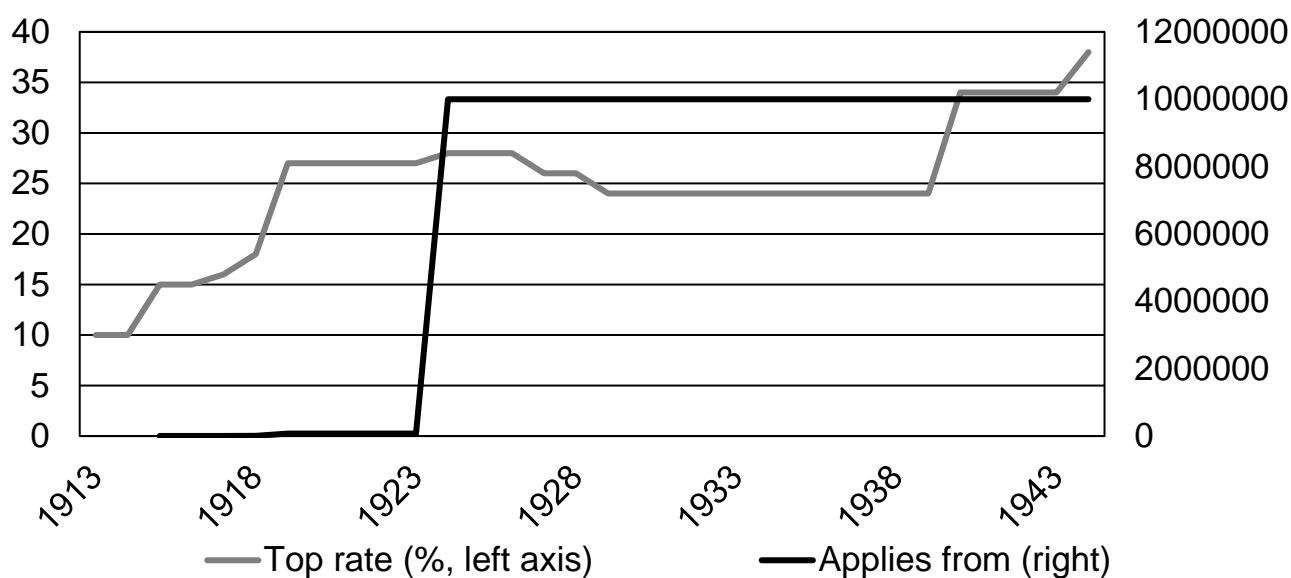
Source: author's elaboration on B-type incomes from Orlandi (1935).

More interestingly, a survey of secondary publications such as academic papers, law encyclopaedias, public finance manuals, and parliamentary debates revealed the existence of several tabulations of personal incomes. Most of them refer to the *imposta complementare sui redditi*, introduced in 1923 by the same De' Stefani, and in force from 1925. Alvaredo and Pisano (2010) reckoned that the *imposta complementare* provided the information needed to estimate top incomes. It was a general surtax on total incomes above 6,000 lire, to which a maximum of 3,000 lire of tax credits could be applied. This total included all incomes assessed in the schedules of the *imposta di ricchezza mobile*, *imposta fondiaria* and other income taxes, but also those exempted for any reason. Progressivity was very low, even for the times: the *complementare's* top rate implied an extra 10% for incomes above 1,000,000 lire, for a total top marginal rate, after considering other income taxes, of 28% (Figure 8).¹⁴ Compared to the pre-existing situation (higher 'real' taxes, and a surcharge applied to each assessed income above 10,000, to a maximum of 8% above 75,000), the top marginal rate had only marginally increased, but it now applied only to almost millionaires. Indeed, according to De' Stefani, 'the reform represent[ed] a tax break'; its top rate was lower than previous proposals, and both tax threshold and credits were significantly higher (De' Stefani 1924, 455).¹⁵

¹⁴ In 1923, total top rates in France, Germany, US and the UK ranged between 52 and 60% (Genovese et al. 2016).

¹⁵ After the Great War, many Italian economists and journalists loudly protested for an alleged, unsustainable increase of tax burden. However, these claims seem unjustified according to fiscal data (Fausto 1993, 27-28).

Figure 8 - Top Marginal Tax Rate on Income in Italy, 1913-1944



Source: author's elaboration on Genovese et al. (2016).

The *imposta complementare* applied to 'fiscal families', including the spouses, and under-age, dependent sons. Numerous categories received special treatment: notably, public employees paid a fixed surtax, while the royal family was exempted, together with foreign diplomats, and, from 1929, Vatican employees. Less relevant, propagandist exceptions, were targeting groups, such as 'large families' and war pensioners, hardly subject to the income surtax (Rèpaci 1937-40, 80). Moreover, incomes were 'net' of expenses and other taxes.¹⁶ Actually, the *imposta di ricchezza mobile* was applied only to 75% and 62.5% of the original level of mixed and labour incomes, respectively; the rationale was that, compared to 'fixed' capital, their sources had to be replaced (Bruni 1894, 142-146). All these issues should be considered when defining the income total for estimating top shares but should not affect trends.

These tabulations report information on the income distribution for the years 1925, 1930, 1936, 1939, 1940, 1941, 1943, and 1952, normally in 9 income classes. They report only the number of taxpayers and their aggregate incomes, without detail on sources or regional decompositions. Another tabulation is available for the year 1914. As documented in Meda (1920, 65), in that year the Finance Minister Rava launched an official ministerial inquiry and ordered his staff to simulate the effects of a general income tax reform, by 'summing up' all the incomes declared by the same individual. In the next session, these tabulations are employed to estimate top income shares for Italy, 1914-1952.

¹⁶ Again, this was the case also in other countries: see Dell (2007, 369) on Germany.

Top income shares, 1914-1952

To estimate the share of incomes obtained by the top percentiles, total figures for population and income are needed, consistent with the incomes and taxpayers reported in the tabulations. Regarding the first point, the obvious sources are the censuses (held in 1911, 1921, 1931, 1936 and 1951), that provide us with totals for households and population.¹⁷ The ideal reference would be the total, *potential* population of tax units; however, the ‘family’ considered by the *imposta complementare* was very different from the household captured by censuses. Adult or working sons, and any other household member, were taxed separately, ‘even if living and working together’, or ‘sharing consumption’ (Rèpaci 1937-40, 80). Using, as in Alvaredo and Pisano (2010, 629), population older than 20 as a total, would therefore upwardly bias the reference total (and thus the top income shares) any time both spouses were working. On the contrary, household figures bias the series if any person above 21, working or not member of the nuclear family is registered by the census as part of the household. Considering the reduced participation of women to work¹⁸ - mostly concentrated in agriculture, where wages were not subject to taxation - and that this was arguably lower among married women (especially in middle and upper class families), adult population seems a more realistic total.¹⁹ Indeed, a comparison between the tabulation from Meda (1920) (based on individual taxpayers) and the first tabulation available for the *imposta complementare* (Boldrini 1925) supports the argument (Table 1). If we consider that 3,000 lire in 1925 would have been 625 at 1914 prices, the difference in the total number of taxpayers is consistent with the evolution of the economy (and possibly, with the difficulty of the tax authorities in enforcing this new tax), rather than to changes in the underlying reference population. In any case, while the levels change in line with expectations, the trends are not affected by the adoption of different population totals, providing a robustness check to our estimates.

More sources are available for estimating disposable income, where the choice is also more controversial. Two alternative approaches exist: starting from the national accounts and removing items not to be included; starting from the figures reported in fiscal sources and imputing missing incomes. The first

¹⁷ Only adult citizens (older than 21) were subject to taxation (Bruni 1894, 23).

¹⁸ According to Mancini (2017), that upwardly revised census-based estimates (c. 30%), female employment rate would have been around 50, compared to almost 90% for men.

¹⁹ Taking advantage of the taxpayers’ lists of 1922, I checked the 1,065 Roman taxpayers with a surname starting with ‘A’. Among the 207 declaring 1,000 lire or more, only 18 (8%) were women.

approach has a ‘firmer conceptual base’ (Atkinson 2005, 331); but as will be clear, turbulent periods such as the interwar (and especially the war years) pose peculiar concerns. Figure 9 shows different, alternative sources for disposable income.

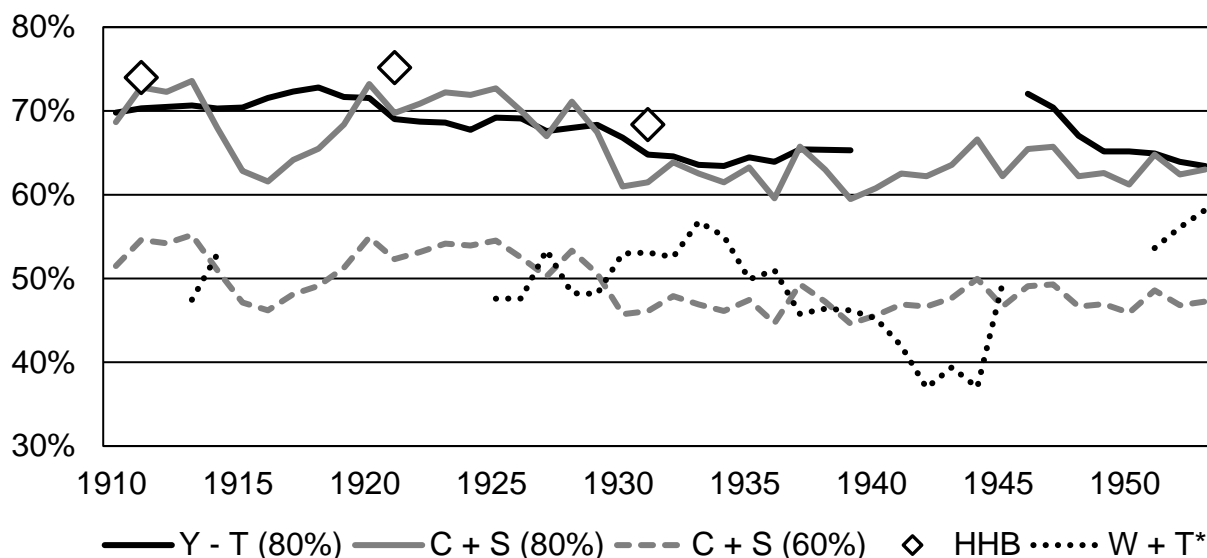
Table 1 - Taxpayers in 1914 and 1925

1914		1925	
Income Level	Taxpayers	Income Level (1914 prices)	Taxpayers
100-300	609,946	n/a	n/a
300-500	222,946		
500-800	411,519		
800-1,200	263,918	625-1,350	799,062
Above 1,200	456,880	Above 1,350	215,855
Total	1,965,209	Total	1,014,917
Total above 500:	1,132,317		

Source: author’s elaboration on Meda (1920, 65) and Boldrini (1925, 128).

First, I subtract total fiscal revenues from GDP; as customary in the literature on top incomes, the resulting figure is scaled down by 20%, to account for tax evasion, exemptions, and other differences from the ‘ideal’ total.²⁰ A second, very similar series is obtained by summing private consumption and savings (again scaled down by the same proportion). This second series is more volatile (especially during the Great War, reflecting the aforementioned fall in consumption), it is reassuringly similar to the first (and conveniently, is not interrupted during World War II). Both totals come close to the independent, household budgets-based estimates by Vecchi (2017) for 1911, 1921 and 1931.

Figure 9 - Total Disposable Income: Alternative Sources (% of GDP)



Sources: Y-T is GDP (from Baffigi 2015) minus total fiscal revenues (from Marchese and Brosio 1982); C + S sums private consumption (Baffigi 2015) and savings, obtained by multiplying rates from Jappelli and Modigliani (1987) for NNP (obtained

²⁰ See Atkinson and Piketty (2007, 535-536). In fact, replicating the procedure for the 1970s lead to a total in line with that used by Alvaredo and Pisano (2010).

subtracting capital depreciation from Rossi et al. 1993 from GDP); HHB is household disposable income from Vecchi (2017); W+T * sums total labour compensation (the denominator of the labour share) and total incomes taxed for direct income taxation (from Ministero delle Finanze (1926, 1932, 1951), excluding wages for avoiding double counting.

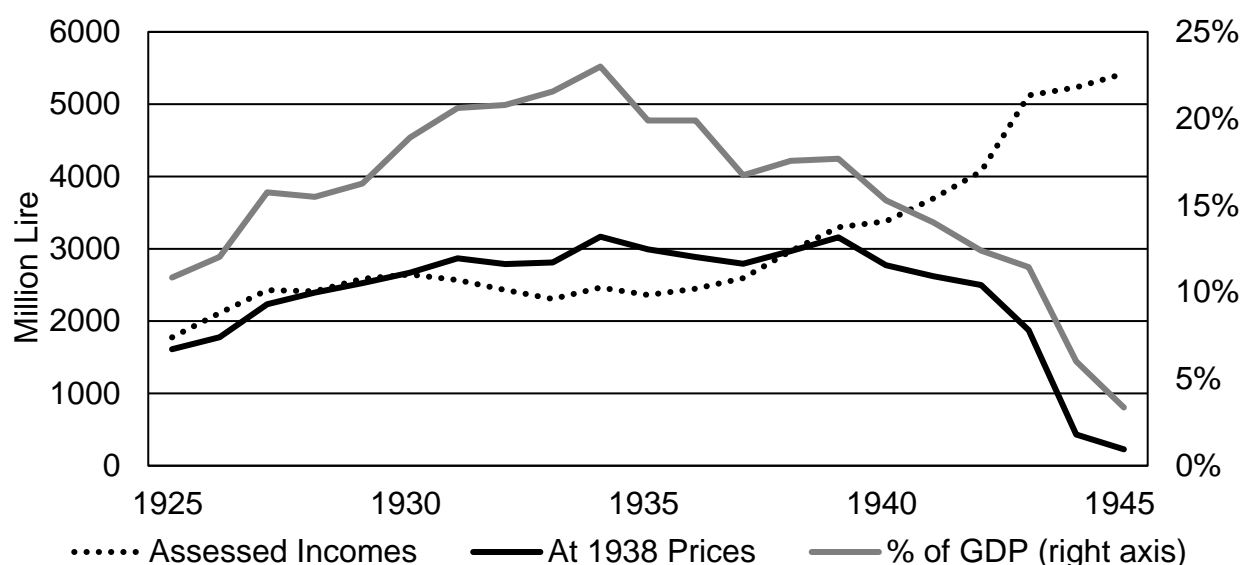
A very different path is obtained by adding total incomes assessed for direct income taxation (from the official statistics on *imposta di ricchezza mobile*, *imposta sugli immobili*, and *imposta fondiaria* – this last, unfortunately, not available between 1914 and 1925) to total labour remuneration (that should account for those incomes below the threshold, but inevitably lead to some double counting with those accounted by the *imposta di ricchezza mobile* statistics). Apart for the early 1930s, when both taxes and labour remuneration increased as a share of GDP, the level of this series is much lower; not surprisingly, the difference is widened when trying to reduce the double counting, by taking out the wages of public employees (not included in the *imposta complementare*'s tabulations) and the labour incomes assessed for the *imposta di ricchezza mobile*.²¹ The very different coverage of GDP across time make suggest to not adopt this second income total, and to rely on the ones built starting from national accounts; however, the exercise is still useful to point out two relevant issues. First, the appropriate total for top incomes assessed from fiscal sources should be lower than 'disposable income', as captured by the sources just discussed.²² Therefore, in this work I adopt a three-years moving average of 60% of the consumption-plus-savings aggregate (also graphed in Figure 9), and the same percentage of the Y-T series as a robustness check. Moreover, not only wages, but also incomes assessed by tax authorities dramatically declined in the late-1930s and early-1940s. As shown in Figure 10, the tax base of the three major income levies grew in absolute value in the late-1920s, to remain relatively stable throughout the 1930s; as a share of the GDP, this implies a peak in 1934 (23%), followed by a rapid reversal, preceding the collapse in the absolute value started in 1940.²³

²¹ It would have been preferable to take only the dependent labour out, leaving professionals inside; but their incomes are provided separately only from 1931.

²² In fact, even this series overestimate the total, given the 'net' concept adopted for the *imposta complementare*.

²³ Both in 1913-14 and 1952-53, assessed incomes account for c.10% of GDP.

Figure 10 – Income Direct Taxation Base, 1925-1945



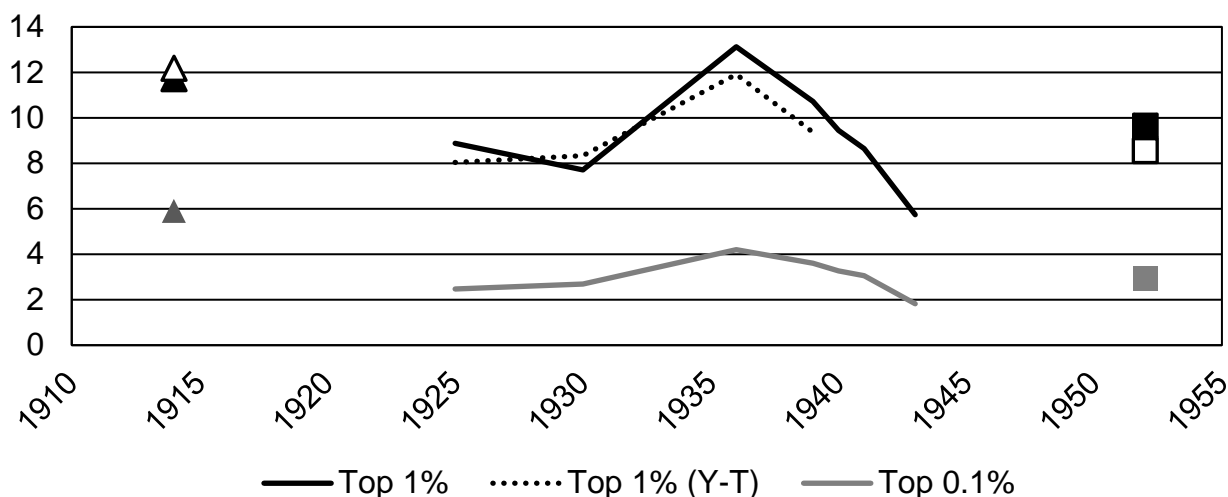
Source: incomes assessed for *imposta di ricchezza mobile*, *imposta fondiaria* and *imposta sugli immobili*, from Ministero delle Finanze (1926, 1932, 1951), expressed at current prices, 1938 prices (using coefficients from Istat 2011), and as a share of GDP.

The final step for the estimation of top income share, is the interpolation of the data from the tabulation.

In this, I follow the mean split histogram, as in Atkinson (2005), even though the results are robust to the Pareto interpolation. The resulting top 1 and top 0.1% series are reported in Figure 11. The limited number of taxpayers included in the tabulation makes it impossible to estimate the share of the top decile, but other shares (such as the 0.5 and 0.05) show the very same trend of the top 0.1 series. The first result, given their very heterogeneous origins, is that tabulations of the *imposta complementare* provide consistent information on top income.²⁴ The same cannot be said for the 1914 tabulation of the *imposta di ricchezza mobile*: evidence on the Great War discussed in previous section, as well as the aforementioned difficulties of assessing personal incomes for the purpose of progressive taxation (together with the different net concept adopted, and the presence of tax concessions) make it difficult to interpret the change as genuine. For this reason, in the following graphs, the different sources from which the estimates come from are signalled by using different markers.

²⁴ In particular, it holds true for the very early figures reported by Boldrini (1925). His work, part of a broader dossier meant to support the Italian delegation for the settlement of war debts to the US, relied on unpublished figures from the Finance Ministry (Gabbuti forthcoming). Boldrini considered his data for 1924, but I interpret them as for 1925, the first year of application of the *complementare*. Figures are reported in current lire, but brackets had been rearranged in US\$ 1920 for international comparisons. I replicated his same procedure using the exchange rate and US CPI figures available at times (Banca d'Italia 1926, 25; League of Nations 1926, 174).

Figure 11 - Top Income Shares in Italy, 1914-1955



Sources: tabulations from Meda (1920), Boldrini (1925), Rèpaci (1937-40), Ricci (1937), Borgatta (1946), Steve (1947), Ministero delle Finanze (1932, 1951, 1953); adult population at census years from Istat (2011), linearly interpolated; total income: Y-T, or when not specified, C+S, both at 60%, as defined in Figure 9; data interpolated using the mean split histogram methodology as presented in Atkinson (2005).

As expected, different income totals can change the results – but the impact is in fact very mild, and the only significant difference is reported in the graph. When using C+S, the 1925 figure for the top 1% is lower than that in 1930; on the other hand, the 1936 figures represent an absolute peak, even above the 1914 figure; on the contrary, the latter is higher when using the ‘preferred’ total (Y-T). Results on the top 0.1% (and 0.5%) are, on the contrary, stable with both indicators. The top 0.1% seems in fact the most appropriate indicator, to capture ‘top’ income earners in fascist Italy. As shown in Table 2, the income thresholds defining the top 1% (and even the top 0.5%) probably capture part of the ‘middle class’ - even considering their ‘net’ value, the generous tax breaks and evasion²⁵. The top 0.1% thresholds are also more stable in constant terms, ensuring greater consistency, and the trend shown in Figure 11 is robust to all the alternatives in denominators, population totals, and interpolation methods discussed in this section.

²⁵ In fact, this is not inconsistent with modern estimates, and might reflect not only tax evasion, but historical peculiarities of the Italian economy, such as the great importance of small enterprises and self-employment.

Table 2 - Top Percentiles Income Thresholds

Year	Threshold (current lire)			Threshold (1938 lire)			GDP pc. (1938 lire)
	Top 1	Top 0.5	Top 0.1	Top 1	Top 0.5	Top 0.1	
1914	2162	3497	10075	9398	15199	43795	2707
1925	19218	26696	57259	17441	24227	51963	3764
1930	7932	14698	40532	8006	14835	40909	3435
1936	10375	18954	45322	12229	22341	53421	3365
1939	13527	22366	56218	12954	21420	53840	4045
1940	13315	22227	54754	10928	18242	44937	4059
1941	13419	22295	55052	9518	15814	39049	4147
1943	16832	25871	71276	6159	9466	26080	3588
1952	878592	1195878	2476494	15841	21562	44651	4771

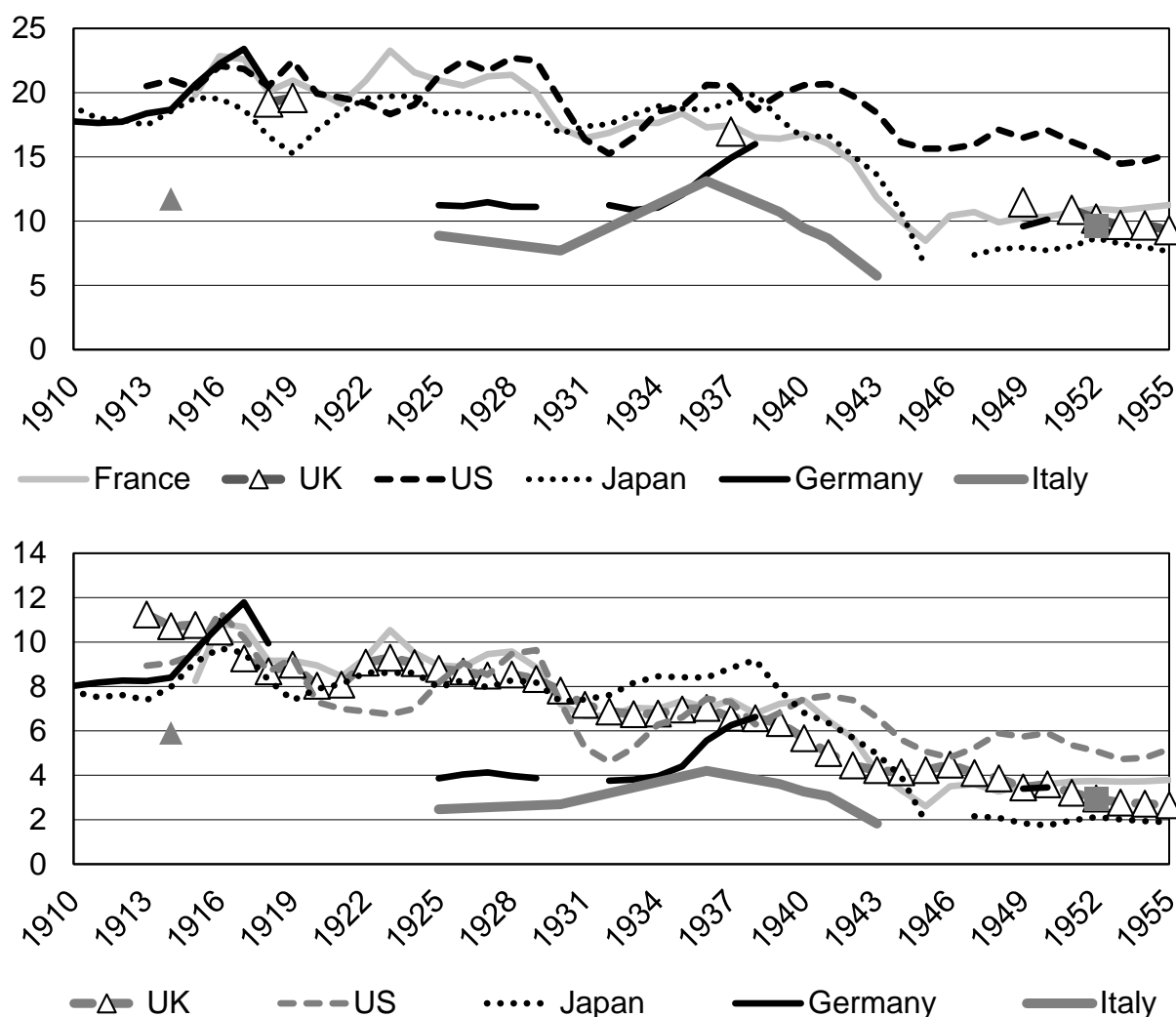
Source: see Figure 11.

Despite the choice of using only 60% of C+S, Italian top income shares are relatively low by international standards (Figure 12)²⁶. The comparison reveals the peculiar dynamics of Italian top shares in 1925-1936. Both series reach a peak in 1936; that is, after the Great Depression, that was driving down capital and top income shares in most of the world. According to the top 0.1 series, concentration in personal incomes would have increased also in the 1920s. As in Nazi Germany, fiscal evidence points towards the pro-rich attitude of fascist economic policies – in this case, however, even amid an extraordinary crisis that was hitting profits hard. In fact, the contemporary fall in the capital share suggest a concentration of incomes within capital, consistent with the literature discussed above. From 1936, both series show a decline (for the top 0.1, not enough to return to pre-1930s levels). In this case, the trend is common to most other belligerent countries during the war period. As shown in Figure 9, in this period we observe a de-linking between the economy and taxed incomes (despite a modest increase in marginal tax rates, showed in Figure 8), arguably a combination of inflation and a more ‘tolerant’ approach by tax authorities.²⁷ Contrary to most countries (and in line with the W/Y ratio showed in Figure 1, in Italy the fall seems only temporary: top income shares in 1952, at the beginning of the Italian ‘economic miracle’, are in fact back to the level of 1939-1941.

²⁶ Again, it is also the case for contemporary Italian top income shares, that tend to be low by European standards.

²⁷ Proven, according to Manestra (2010, 33), by the interruption of the publication of taxpayers’ lists.

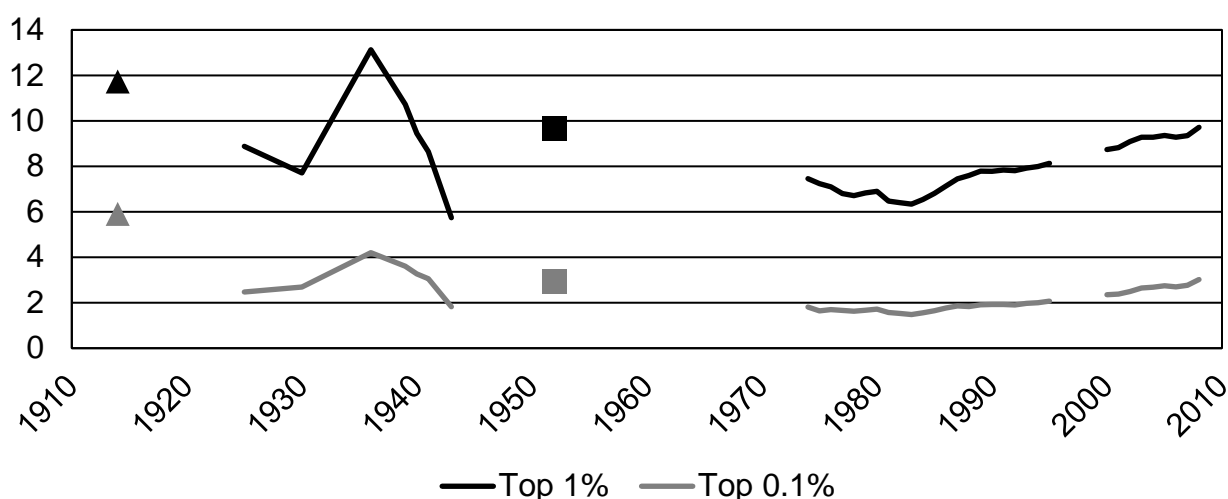
Figure 12 - Top Shares in International Perspective, 1910-1945: 1% (above) and 0.1% (below)



Sources: Italy as in Figure 11 (C+S); other countries from Alvaredo et al. (2016), selecting pre-tax income figures and, whenever available, total adults (e.g. for UK, only tax unit figures are available in the period).

The new series also allows an admittedly tentative comparison with the figures by Alvaredo and Pisano (2010) (Figure 13). The construction of consistent long-run series would arguably require further work, to make comparisons with both 1914 and 1974 more genuine. This lies outside the scope of this paper; for the moment, it suffices to note that the 1930s could have represented a secular peak. In any case, the increase challenges Rossi et al. (2001) and Amendola and Vecchi (2018) conclusions on the absence of any Kuznets-type, inverted relation between industrialisation and inequality in Italy, and in particular on the decline of inequality in the 1920s.

Figure 13 - Italian Top Income Shares in Italy: A (Tentative) Long Run Perspective



Sources: 1914-53 as in Figure 11; 1974-2008 from Alvaredo and Pisano (2010).

A War on Tax Evasion? Propaganda and Numbers

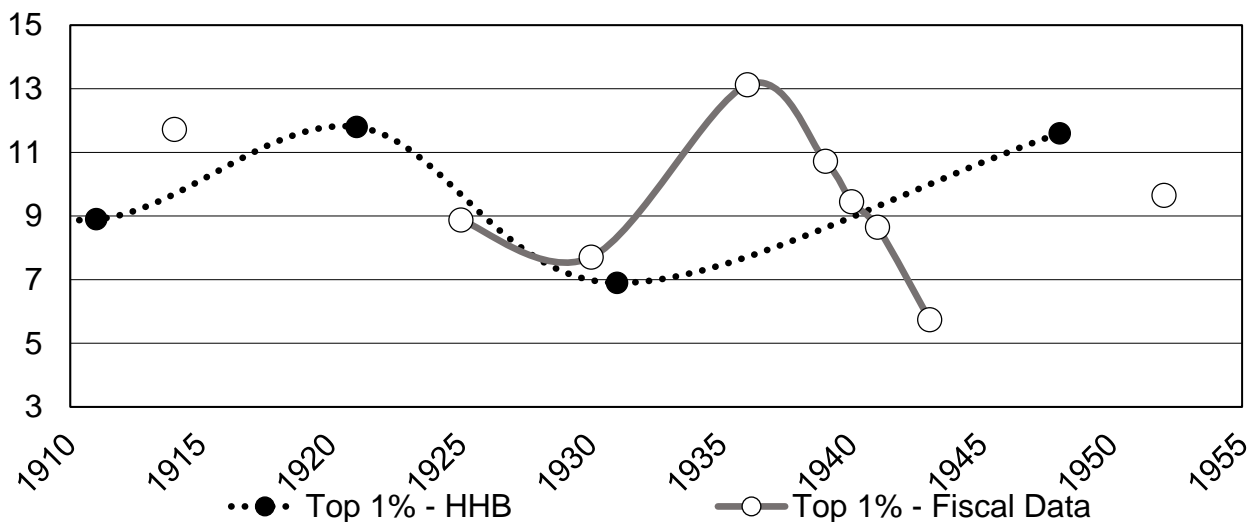
Are measured Italian top income shares low because of tax evasion? And if the latter was so widespread, can we trust top income figures? This last section addresses these questions by reviewing the available literature on tax enforcement during the period and making use of the little quantitative evidence available. First, Figure 14 shows that the levels of the series presented in the previous session do not greatly differ with those obtained by Amendola and Vecchi (2017).²⁸ These results would therefore confirm the findings of contemporary economists, that using the same sources concluded that Italian incomes were not very concentrated (Gini 1914; Boldrini 1925; see also Gabbuti forthcoming). This should however be understood in the light of the low stage of development reached by the Italy in this period. The Amendola and Vecchi (2017, 314-316) figures on the ‘extraction ratio’ (the ratio between observed Gini, and its practical maximum, obtained by allowing all individual but one to have just the minimum for subsistence) are above 60% for the whole pre-World War II period. Their estimates are in line with the most unequal contemporary economies and with pre-industrial economies (Milanovic et al. 2011, 267), and with the impression provided by labour-shares comparisons (Figure 3).

In any case, tax evasion was likely to be extremely high at the top, especially for what concerns capital incomes. A decree issued again by Minister De’ Stefani in 1922 abolished the certification of financial assets. This had been approved after the Great War, to make it possible to link capital incomes to individual taxpayers

²⁸ It should be noted, however, that Amendola and Vecchi’s figures are based on households, rather than individuals.

and subject them to a personal, progressive income tax (Manestra 2010, 28), but was abolished by the fascist government before its application could even start. It is not surprising therefore that according to Deni (1934, 692), out of an estimate of 18 billion lire of total tax evasion in Italy at the times, no less than 8 billion were dividends, and interests on public bonds, that escaped the *imposta complementare*. For Borgatta (1946, 331), evasion was ‘almost total’ on those assets exempted from the pre-existing taxes (the aforementioned *imposta di ricchezza mobile, fondiaria and sui terreni*) on which the *complementare* was based; notably, in the interwar years, exemption was granted to the major emissions of public bonds. This affects the sensitivity of top incomes to changes in these incomes; but was this bias constant, or does it explain the top income dynamics in 1925-1943?

Figure 14 - Fiscal Sources vs. Household Budgets



Source: HHB from Amendola and Vecchi (2017); Fiscal from Figure 11.

The issue of tax evasion, and its potential effect on top income trends, is not systematically addressed by the literature that estimate income inequality by means of fiscal sources. For what concerns Italy, Alvaredo and Pisano (2010, 631-640) provided sensitivity checks for the levels, but assume that ‘tax evasion has not changed significantly over the period’. The historian of Italian fascism cannot make a similar assumption: as mentioned, while retracting progressivity, Mussolini’s cabinet had enforced the promise of publishing taxpayers’ lists. The same De’ Stefani, regarded by contemporaries as ‘honest and incorruptible’, ‘declared war’ on tax evaders (Manestra 2010, 28-29). Contemporaries had divided opinions: statisticians, such as Orlandi (1934, 47) and Retti-Marsani (1936-37, 48), expressed their confidence in the improved quality of fiscal statistics. Politicians were less pleased by the results – and in particular, by the compliance of richer

taxpayers: in 1925, a few months before the end of his mandate, De' Stefani himself had to admit that 'between 50 and 75%' of the *imposta di ricchezza mobile* was evaded, with 'greater evasion' at the top'.²⁹ After more than a decade, Senator Ricci (1937, 23) stressed again that the richest earners were not adequately captured by the *imposta complementare*. In theory, the 'presumptive' method of estimating taxable incomes – introduced in 1932 to fight evasion that allowed tax authorities to 'deduce' income from luxury consumption – could have increased the ability to track higher incomes. But as most fascist measures, it 'ma[de] it possible to assault small taxpayers, but [wa]s absolutely useless with respect to major ones', given that observable consumption did not greatly change above certain thresholds; the *imposta complementare* was not a 'mountaineer', as it was unable to reach the heights of top earners (*Ibid.*, 22). Later literature supported Ricci. Rossi (1966, 12) denounced how the 'great barons (...) hid (...) most of their incomes from fiscal checks'. According to Frascani (1978, 1067) (but also by post-World War II official publications: Ministero delle Finanze 1951), the interwar period saw a 'growing gulf between fiscal data and the underlying economic reality'. For Manestra (2010, 27), De Stefani's reforms decreased the efficiency of the administration, by reducing the number of employees and promoting bureaucratization.

While modern appraisals are largely based on qualitative evidence, contemporary evaluations were based on comparisons between total incomes assessed by tax authorities and largely incorrect estimates of national income.³⁰ In Table 3, I report available figures on the number of taxpayers and on incomes assessed for the *imposta di ricchezza mobile* and the *imposta complementare*. The first reveal, both for entrepreneurs and professionals, very low incomes. During the period, however, taxpayers and their average incomes increased, more than per capita GDP. If not the 'revolution' hoped by the regime, tax statistics capture a consistent enlargement of the tax base of the real taxes on income. However, the new evidence assembled on the *imposta complementare* shows that this did not translate into a similar trend for the progressive tax. Even leaving apart the 1925 figures (possibly an overestimated figure, resulting from Boldrini's interpolations), average assessed income decreased until 1936. The new incomes subject to the *imposta complementare* came, on average, from the lower brackets, while most of the increased tax base of the *imposta di ricchezza mobile*

²⁹ Senate speech of March 17, 1925 quoted in Fausto (1993, 120).

³⁰ Bompani (1935, 305) mentioned official figures of '100 billion lire' for 1925, and Mortara's estimate of 65 for 1933, are 61% of Baffigi's (2015) figure.

did not qualify to pay (or possibly evaded) the progressive surtax. This is consistent with the effectiveness of a measure introduced in 1933, that forced employers to declare the incomes of their employees, reducing the possibility of evasion for dependent workers. According to a second work by Orlandi (1934), in fact, most of the new incomes assessed by the *imposta di ricchezza mobile* were also below, or close, to the mean values. As shown in Table 4, inequality decreased *within* most sectors and professions, despite the increase in taxpayers and average income. There are reasons to believe, therefore, that evasion at the top was at least constant, and cannot explain the rising trend of 1925-1936.

Table 3 - Taxpayers and Assessed Incomes: Imposta di Ricchezza Mobile and Imposta Complementare

Year	Mixed Incomes		Professions		Mixed and Professional Taxpayers (% of Pop. 20+)	Imposta Complementare			
	Taxpayers	Avg. Income	Taxpayers	Avg. Income		Taxpayers	Assessed Incomes	Average Income	Taxpayers (% of Pop. 20+)
1925	853,383	3,933	108,370	3,801	4%	1,014,917	15,499,643,000	15,272	4.30%
1928	969,582	5,763	131,177	5,600	4.60%	734,733	-	-	3.00%
1930	1,019,230	6,559	152,415	6,423	4.80%	861,411	11,104,414,924	12,891	3.50%
1936	1,080,605	5,434	181,133	5,571	4.70%	954,200	11,986,000,000	12,561	3.60%
1939	1,155,394	7,339	215,673	5,564	5.00%	1,232,000	16,212,700,000	13,160	4.50%
1940	1,148,829	7,176	193,460	6,500	4.80%	1,228,365	16,180,000,000	13,172	4.40%

Sources: author's elaboration on Manestra (2010), Baffigi (2015); Ministero delle Finanze (1926, 1932, 1951), Istat (2011), and tabulations listed in Fig. 11.

Table 4 - Concentration Within Taxed Incomes, 1922-1929

Activities	1922			1929			Differences 1929 - 1922		
	Taxpayers	Avg. Income	Gini	Taxpayers	Avg. Income	Gini	#	Av. Income	Gini
<i>Textile</i>	9,600	16,999	77.88	9,033	24,952	71.55	-567	7,953	-6.33
<i>Drugs</i>	16,669	5,573	50.87	18,325	10,131	47.48	1,656	4,558	-3.39
<i>Chemicals</i>	7,623	9,089	70.56	10,865	12,980	65.22	3,242	3,891	-5.34
<i>Apparel</i>	67,349	4,835	61.98	94,656	6,698	52.93	27,307	1,863	-9.05
<i>Small Industries</i>	14,122	3,685	54.36	23,584	5,190	44.84	9,462	1,505	-9.52
<i>Artistic & Mech. Ind.</i>	15,988	5,718	57.68	15,502	9,548	55.18	-486	3,830	-2.5
<i>Credit & Business</i>	4,588	9,876	77.57	3,450	20,862	73.26	-1,138	10,986	-4.31
Category B	765,134	4,188	59.78	899,399	7,004		134,265	2,816	
<i>Health Professions</i>	18,414	4,692	47.66	26,877	7,721	45.79	8,463	3,029	-1.87
<i>Intermediation Prof.</i>	19,934	6,188	57.94	37,033	8,139	52.6	17,099	1,951	-5.34
Category C	87,031	4,643	54.21	115,658	79,241		28,627	3,281	
Total	852,165	4,235		1,015,057	7,108		162,892	2,873	

Source: our elaboration on Orlandi (1933), tab. V, XX, XXV, and Orlandi (1934), tab. III and VIII.

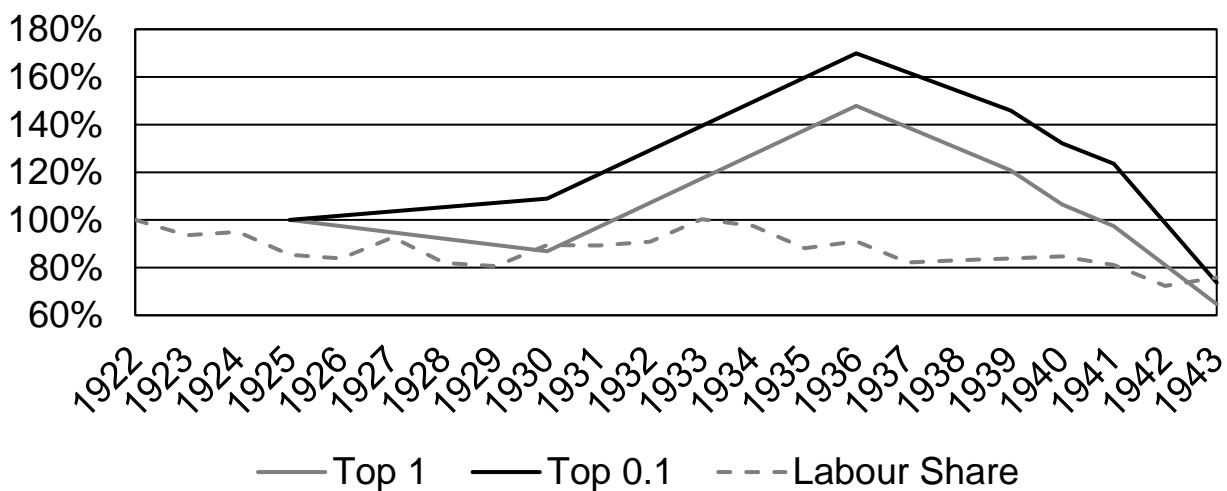
While not conclusive, the evidence surveyed in this section support the level of estimates presented in previous section, and exclude major upward biases in the trend from increased fiscal compliance at the top. Fiscal data clearly miss a relevant part of capital incomes, and in general, those incomes that were not taxed: those of public employees, including the high bureaucracy; illicit profits, especially those made possible by the problematic introduction and management of trade controls (Toniolo 1980, 286), and those involving top fascist leaders (Giovannini and Palla 2019). Fiscal progressivity, introduced by the fascist government in 1923, was not only extremely mild in theory: in practice, most top incomes managed to escape even from the very low surcharges imposed by the *imposta complementare*. If anything, the effect of the war on evasion was to

increase the fiscal burden on small taxpayers – those middle classes that should have constituted the major support-base of Mussolini’s government. The same conclusions reached on the corporatist ideology should be extended to De’ Stefani’s ‘ideal of fiscal equity’, expressed by the Minister when presenting the *imposta complementare* to the Parliament (De’ Stefani 1924, 455).

Conclusions

In one of the first attempts to understand the nature of Italian fascism, the exile Angelo Tasca (1938, 337) stressed that the only way ‘of defining fascism is to write its history’. This work tries to fill a major gap in the understanding of interwar Italy, by writing its distributive history – that is, the history of the ‘winners and losers’ of economic development (Brandolini 2000, 213). In the case of Italian fascism, it means to evaluate the regime on its own terms (from the ‘social justice’ claimed by its corporatist ideologists, to the alleged ‘equity’ of its fiscal reforms).

Figure 15 - Inequality Change in Fascist Italy



Elaborations on gross labour shares (Figure 3) and top income shares (Figure 11).

In the absence of consistent and continuous evidence, a pragmatic, multi-source approach highlights two crucial junctures, previously overlooked. Both the Great War and the Great Depression emerged as two of those short-term ‘episodes’ Atkinson (1997) considered critical to the history of inequality. In both cases, Italian trends are anomalous in international comparison. The collapse of the labour share during World War I places the distributional conflict of the ‘red years’ 1919 to 1921, and possibly the eventual rise of the fascist movement, in a new perspective. On the other hand, the first evidence on personal income distribution in the

1930s reveals increasing top income shares during the Great Depression, and in a period of overall inequality reduction (Piketty 2014).

Inequality did not seem to rise simply because of exogenous events (the crisis, and arguably, the restrictions on emigration imposed by destination countries): in fact, while these factors clearly contributed to reverse the long-lasting reduction in personal income inequality, both the falling labour share and increasing concentration at the top seems the consistent outcome of the policies enacted by the regime. Earlier and more effectively than abroad, the government immediately bailed out and supported large banks and firms, while incentivising collusive behaviour between firms, to sustain prices and profits (Sylos Labini 2014, 47-54). According to Amatori and Brioschi (1997, 118), ‘in practice banking bailouts saved private fortunes’, while Toniolo (1980, 256) stressed that the State maintained the ownership only of the least profitable sectors, pointing out the role of the ‘tight bonds developed in those years between the high bureaucracy and big industrialists (Ibid., 302-303). Even before, in the ‘liberal’ period, Minister De’ Stefani (1923, 51) had stated (and consistently pursued) a regressive ‘developmental’ strategy, based on fostering savings and capital accumulation through tax breaks (Marcoaldi 1986, 12-13). In those early years, Mussolini’s cabinet radically changed the functioning of the labour market (Mattesini and Quintieri 2006), and promoted the first wide policy of liberalisation (Bèl 2011). At the same time, fascists explicitly chose to ‘exclude the use of fiscal tools to redistribute income and wealth’.³¹ Neither policy could harm the wealthy. Due to these stimuli, 1922-25 was a ‘period of hectic, at times even wildcat, banking activity’. According to Toniolo (1995, 300-302), lending to the private sector increased at an annual rate of 23.8 percent; total net profits of joint-stock banks doubled, providing ‘excellent profit opportunities for financial intermediaries’. When this period was halted, the burden of deflationary policies disproportionately fell on the workers, in line with early Marxist interpretations (Grifone 1945, 58) – and in fact, also with the real-time observations by Mussolini’s ministers.³² Considering the changes in relative prices induced by autarky in a land-scarce and labour-abundant country could only reinforce this picture. The distributive consequences of these ‘revolutionary’ policies, in the absence of fiscal statistics, are effectively captured by the sharp increase in capital shares. These results are in line with recent

³¹ De’ Stefani (1930), quoted in Fausto (1993, 128), according to which fascists ‘always remained loyal to this initial programme’.

³² In a letter to Mussolini, written on November 14, 1927, Mr. Volpi (Finance minister from 1925 to 1928) stressed the ‘considerable sacrifice requested asked to working classes, slowly and painfully compensated of the wage reductions by the increase in demand of labour’ (quoted in de Felice 1966, 385).

evidence on the regressive nature of Nazi policies (Gómez León and de Jong, 2019, Bartels, 2019), and suggest not only the existence of ‘diverse’ history of inequality, but possibly the existence of a common ‘fascist effect’, at least in the interwar decades.³³

Is this enough to consider, like the early anti-fascists, Italian fascism as the ‘open dictatorship of financial capital’? A proper political economy of the period cannot leave out of consideration elements of political history, which go far beyond the scope of this work. Surely, Italian fascism represented an important discontinuity in the long-run development of Italy – two decades marked by rising inequalities, and the worsening of working class living conditions - as well as an exception to the international ‘egalitarian’ trend of the 1930s (Piketty 2014). As discussed, this deviation was at least partly the result of peculiar fiscal and labour market policies that distanced Italy by most contemporary practices. More detailed and reliable data would be needed to provide more detail on which groups, regions and sectors benefitted the most – in particular, measures of dispersion within-labour would make possible to link the dynamics of the labour share with personal income inequality -, and more comparative research is needed to assess whether a ‘fascist wave’ of inequality could be generalised. For the moment, the ‘Italian lesson’ is that, in defining fascism, inequality matters.

³³ Of course, differences existed between fascist countries. Toniolo (1980, 297) already noted that Mussolini’s power was ‘quite well established’ when the Great Depression hit Italy, and did not feel the same urgency of fighting unemployment than the new Hitler’s cabinet.

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