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

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**Abstract**

From the 1920s, classical ‘explanations’ of Italian fascism credited a significant role to distributive forces. However, almost a century after the March on Rome, inequality trends during 1920s and 1930s are only partially known. This paper aims at reviving this classical debate, by surveying existing evidence and presenting new series of labour and top income share. Labour shares fell dramatically during WWI, then quickly recovered and reached a new peak in 1922. From Mussolini’s seizure of power, the share accrued by workers markedly declined. After a short-lived increase during the Great Depression, it reached a secular minimum in early 1940s. A newly assembled database of fiscal tabulations (the first evidence on personal income distribution during the 1930s) shows increasing concentration at the top between 1924 and 1936. Fiscal evidence suggests that the alleged ‘war on tax evasion’ had modest results at the top. These new findings support early interpretations of fascism as a significant discontinuity in the secular, benevolent development of Italy since unification. A discussion of fascist economic policies, and an international perspective, suggests that these were not simply the result of exogenous shocks.

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

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1. Inequality and Fascism: A Classic, Open Debate

From the 1920s, most explanations of the origins of Italian fascism credited 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 reporters, 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 proper *bourgeoisie* to the achievements of the working class in the revolutionary ‘red two years’ 1919-1920. Mussolini would have been, 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 swear words they had been taught by their instructors – the ‘commanders of the ship’. 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, that 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 oppositions to fascism – from liberals, such as Rossi or Chabod, to Marxist (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 first 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 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 proposed improved estimates of income inequality during the period (Bartels 2017; Gómez-Leon and De Jong 2017) 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. The first fascist regime has not been sufficiently investigated by economic historians; the major reference remains Toniolo (1980), intended as a starting point
for further research after the intense debates of the 1970s. The last fundamental contributions to the debate on fascism, distribution and the middle classes are those by Sylos Labini (1974) and Zamagni (1980a). The first 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. Recent research based on historical household budgets provided in fact decadal estimates of inequality in household incomes from 1861 to 1931 (Rossi et al. 2001, Amendola and Vecchi 2017). Household budgets revealed a secular decrease in inequality, but did not allow to discuss crucial, shorter-term dynamics (notably the World War I, the ‘battle for the lira’ and the Great Depression). While these works 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

Almost a century after the March on Rome, 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, 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.

This paper aims at reviving this classic debate by discussing new series of factor and top income shares for interwar Italy. The first transform existing evidence on wages into a synthetic, annual indicator of the split of national income between capital and labour. The latter, based on a newly assembled database of tabulations 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 makes possible a first assessment of distributive trends in the period, and to place Italy in the broader international context. Even in

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the absence of a single, continuous and conclusive indicator, ‘a reasoned application of all available evidence’ can still inform the historian (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.

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.

2. Living standards and inequality in fascist Italy: a survey of existing evidence

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), 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). 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). The re-evaluation of the lira in 1926 (the so-called Quota 90: see Cohen 1972) provoked a downturn, but the growth rate for the period before the Great Depression is still an annual 3.19%. The revision of the accounts did not alter the immediate impact of the Great Depression, but rather its persistence: only with the Ethiopian invasion (1935) Italy returned to growth (Baffigi 2015, 35-38). Those years saw also inflation back to positive figures, after almost a century 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 unrests, until the abolition of price controls on bread (February 1921) brought it back under control (Fratianni and Spinelli 1997, 108-127). What increased constantly was regional inequality: income gaps reached their secular peak in 1951, but 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 information 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). It 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. 16% of industrial workforce). Between 1931 and 1936, censuses capture a decline in participation, with the striking exception of women and children, in both case reversing a secular decline. (Mancini 2017; Cinnirella et al. 2017). For agricultural workers, a proxy is given by the massive increase of outward flows from rural areas, captured by administrative data despite the restrictions on internal migrations introduced in 1931 (Gomellini et al. 2017, 222). International migrations, that had been contributed to reduce unemployment and raise real wages by 13 to 22%, were curtailed by destination countries (Ibid., 237-238).

A heated topic in the classic debate on 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 the 1919-22, when agriculture 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 with 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’ to developments in the rest of Europe (Cavazza 2016, 303-314). However, Sorrentino and Vecchi (2017, 14-15) showed 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 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 (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

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3 Mortara (1978, 68) noted the effect on wages due to the increasing ‘competition’ by these groups during the 1930s.
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 the ratio rose from the minimum of 3.15 in 1918 to almost 5 in 1934 (Figure 1). 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 concentration of wealth among the population. Gabbuti and Morelli (2018)'s preliminary results show high and stable inequality, with the top 1% accruing between 45 and 50% of private wealth throughout the period, in line with figures available for France, the UK and the US.

![Figure 1 - Composition of Total Private Wealth in Italy, 1901-1934](image)

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)

For the interwar, 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. Figure 1 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 more relatively important, because of ‘the effort made by the country to build up a real industrial sector’. Giordano and Giugliano (2015) confirmed both capital accumulation and the increase in concentration, observed from the 1920s by Italian

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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.
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 on individual shareholders (unfortunately inconsistent with previous, firm-level data) revealed that ‘few capitalistic holdings’ controlled that half of the Italian industry not in foreign of public hands; 0.01% of shareholders owned more than one third of the capital (50% for financial firms) (Zerini 1947, 74-76). In the same 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. The increased importance of the capital of financial and industrial firms, and their growing concentration, suggest increasing wealth inequality, consistently with other historical experiences; but direct evidence on the issue is still needed.

Summing up: stagnating real wages; rising unemployment (apart for children and women); massive migratory movements; increasing poverty and malnutrition (even in periods of growth); all point toward a decline in workers’ living standards during the interwar decades. Some groups presumably 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; figures on income distribution stop at 1931, and direct evidence on top percentiles is missing. The rest of the paper will try to address these gaps, and to obtain a better picture of inequality in fascist Italy.

3. Labour Shares, 1915-1945

For several reasons, factor shares (the traditional 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-WWII 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 Vito, in the corporatist economy ‘wage level [wa]s 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’. Factor shares are the right metrics to evaluate similar claims. As documented in Gabbuti (2018), it is now possible to estimate consistently factors shares for Italy from 1895, consistent with the international database assembled by Bengtsson and Waldenström (2018). A proxy of total labour income is obtained by multiplying series of workers compensation in primary, secondary, tertiary and government sector, from Rossi et al. (1993), by the consistent series of full-time-equivalent labour inputs, from Giordano and Zollino (2015). The labour share is then obtained by the ratio

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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 the 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 (2017) on the general improvements experienced by Western Europe in the interwar period.
7 Quoted in Gualerni (1976, 186).
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 considered by Bengtsson and Waldenström (2018) more reliable in historical analysis. Reassuringly, all series show very similar trends.8

Figure 2 - Labour Shares in Italy, 1900-1945

![Figure 2 - Labour Shares in Italy, 1900-1945](image)

Source: gross labour shares are obtained by multiplying, separately for agriculture, industry, private services and government sector, full-time equivalent labour inputs, at present boundaries (Giordano and Zollino 2015) with nominal compensation series (Rossi et al. 1993). Net shares are obtained by subtracting capital depreciation (Rossi et al. 1993) from the denominator. Non-agriculture shares are obtained referring only to the inputs, incomes, and value added, of the other three sectors. All series expressed as percentage of GDP, net of indirect taxation (Baffigi 2015).

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 WWII Italian labour shares were extremely low by European standards. Far from implausible, these levels match those of other developing countries (such as interwar Finland, or contemporary China: see Bai and Qian 2010). The result is consistent with evidence on real wages: both de Zwart et al. (2015) and Federico et al. (2017) show that the incomes of unskilled Italian workers, expressed in terms of subsistence baskets, lagged well behind European standards, in line with Chilean or Bengalese workers.

8 In Gabbuti (2018), I discuss concerns regarding the level of the series, compared to Giordano and Zollino (2015). Still, proposed corrections do not alter the 1900-1945 dynamics.
An international perspective makes also more striking the dynamics of Italian shares during the Great War. Labour shares lost almost twelve percentage point in the first two years of war (Figure 4).\textsuperscript{9} 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 complains about ‘favouritism, cronyism and corruption’ and several scandals (\textit{Ibid.}, 279-286), eventually leading to the institution of a parliamentary commission on illegitimate war profits (Ecca 2017). The dynamics of the labour shares is, 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 shares. 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 to its working population: rather than a monetary phenomenon, labour shares seem to capture the relative consequences of an absolute, sharp decline in living standards.

\textsuperscript{9} The result, already in Glyn (2009), survived the revision of previous, unrealistic national accounts (see Galassi and Harrison 2005). Both World Wars ‘were remarkably destabilizing events in terms of income distribution’ also for Giordano and Zollino (2015, 190).
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 capitalise it politically, but trade unions obtained widespread wage increases: the trend in labour share is consistent with figures on compensation in industry. In 1919, labour share recovered pre-WWI levels; from this year, the unrest became properly ‘political’. Workers obtained concessions in terms of ‘work discipline, factory councils, 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 shares peaked at 55%.

According to labour shares, the March on Rome (October 28, 1922) had an unquestionable impact on the working class. Compared to the previous estimates by Glyn (2009) (based on more 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 enjoyed 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), and ‘acted mainly as a transmission mechanism of government policy decisions’ (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 reduced their profits; but wages fell more, and as a result, overall capital share of national income increased.

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

![Graph showing labour shares from 1915 to 1945.](Glyn2009.png)

Source: Glyn (2009) (kindly provided by Prof. W. Carlin) and Figure 2.

Labour shares increased, however, during the Great Depression. It seems hardly a consequence of redistributive or countercyclical policies: rather, as shown by Figure 3, this happened everywhere, consistently (according to which profits are more elastic than wages to recessions) and historical experience (including 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 – consistently with what claimed by Thaon de Revel, new Treasury Minister that in 1935, contrasted the ‘efficiency’ of fascist policies with the ‘dozens of billions wasted in unemployment benefit’ by other nations.\(^\text{10}\) 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 working hours (the so-called ‘work sharing’), with a consistent reduction of wage. 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.\(^\text{11}\) The invasion of Ethiopia led to monetary and fiscal expansionary policies, but again, these did not benefitted workers. In 1942-44, labour shares reached new minimums since WWI, according to all the specifications. 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 ambivalent, but

\(^{10}\) 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’.

\(^{11}\) Toniolo (1980, 299) suggested similar dynamics for the years 1935-37, looking at the difference between real wages and work productivity.
it should be noted that the weight of this sector, in terms of both workers and value added, was declining during the period.

Figure 6 - Sectoral labour shares, 1920-1940

Source: as in Figure 2, but computed separately for each sector.

A simple indicator such as the labour share, by capturing the impact of fascist economic policies on both the wage and occupation levels and relating them to the overall performance of the Italian economy, sheds new light on distributive trends in the interwar decades. In fact, as shown by Prados de laEscosura (2008, 290) for pre-WWII Spain, 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 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 cabinet seem to have been unambiguously reactionary. After the collapse during the Great War, and the labour unrest that followed, the share accrued by workers declined sustainably after the fascists seized power. This happened during the laissez-faire policies and economic 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 capital share remained high and increased for most of the period – possibly contributing to consolidate industrialists’ support to the regime. Level, trends, timing: all seem to vindicate classic, anti-fascist interpretations. But are there sources available to describe in more detail what happened at the top of income distribution?

4. Fiscal Reforms and Fiscal Sources between the Wars

When Alvaredo and Pisano (2010) looked for historical fiscal tabulations for estimating top income shares, they found nothing before 1974. In fact, official publications are abundant, but not always insightful, and looked sceptically by most Italian historians (Frascani 1978). However, they might be the only available
source for investigating short-term variations in personal income distribution. By similar sources, for instance, Bartels (2017) could recently verify that income concentration had increased in Germany during the Great War. In this section, I discuss surviving fiscal evidence on personal income distribution in interwar Italy. Useful information was often reported in secondary, scholarly publications. Apart from 1952, the resulting data is not as complete as the official tabulations generally adopted in the literature but is still informative.

The focus must be limited to income, because in December 1923 (in the middle of his ‘battle’ for reaching the balance in public finances) Mussolini’s Finance Minister, Alberto De’ Stefani, de facto abolished 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 inheritances (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 (Erreygers and Di Bartolomeo 2007). De’ Stefani (that had himself published a book on ‘The Patrimonial Dynamics of the Current Capitalist Economy’, based on French inheritance tabulations) 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 on a real, partial expropriation of all the fortunes’, included in the 1919 the manifesto, was replaced two years later by the promise ‘simplifying taxes, and distributing them proportionally, without bias against any group of citizens, nor confiscatory progressivity’. Still, the party asked ‘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 at 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 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. 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 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 sometimes even extensive ‘list 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 difference 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 7).  

![Figure 7 - Change in Gini Index, Taxed Incomes in Trade and Industries](image)

More interestingly, a survey of secondary publications, such as academic papers, law encyclopaedias, public finance manuals, parliamentary speeches, 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 the Complementare was suited to provide the information needed to estimate top incomes. It was a general surtax on total incomes above 6,000 lire (that with a maximum 3,000 of tax credits, meant 3,000 of net income). This total included all incomes assessed in the schedules of the *Ricchezza Mobile, Fondiaria* and other income taxes, but also those exempted for any reason. Progressivity was very low: an extra 10% for incomes above 760,000 lire, for a total top income.

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12 The results are similar looking at single professions and activities.
marginal rate of 28% (Figure 8).\textsuperscript{13} 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 rate had marginally increased, but according to De’ Stefani, ‘the reform represent[ed] a tax break’; its top rate was lower than previous proposals (from 25 to 30%), and both tax threshold and credits were sensibly higher (De’ Stefani 1924, 455).\textsuperscript{14}

\textbf{Figure 8 - Top Marginal Tax Rate on Income in Italy, 1913-1944}

![Graph showing top marginal tax rates on income in Italy, 1913-1944.](image)

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

The \textit{Complementare} applied to ‘fiscal families’, including the spouses, and under-age, dependent sons. As it was often the case, some categories were not included by the tax: notably, public employees paid a fixed sur-tax, 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.\textsuperscript{15} Actually, the \textit{Ricchezza Mobile} was applied only to 75% and 62.5% of mixed and labour incomes, respectively, with the idea 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, reported in their original form in the appendix, report information on income distribution for the years 1925, 1930, 1936, 1939, 1940, 1941, 1943, and 1952. 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

\textsuperscript{13} In 1923, total top rates in France, Germany, US and the UK ranged between 52 and 60% (Genovese et al. 2016).

\textsuperscript{14} After WWI, many Italian economists and journalists loudly protested for an alleged, unsustainable increase of tax burden after WWI. However, these claims seem unjustified according to fiscal data (Fausto 1993, 27-28).

\textsuperscript{15} Again, this was the case also in other countries: see Dell (2007, 369) on Germany.
tax reform, by ‘summing up’ all the incomes declared by individuals in a given tax agency. In the next session, these tabulations are employed to estimate top income shares for Italy, 1914-1952.

5. Top income shares, 1914-1952

To obtain estimates of the shares of incomes accrued by 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 household and population above 20.\(^{16}\) The ideal reference would be the total, potential population of tax units; however, the ‘family’ considered by the 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 above 20 as a total, would 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 work\(^{17}\) - 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.\(^{18}\) Indeed, a comparison between the tabulation from Meda (1920) (based on individual taxpayers) and the first tabulation available for the 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.

<table>
<thead>
<tr>
<th>Table 1 - Taxpayers in 1914 and 1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Level</td>
</tr>
<tr>
<td>100-300</td>
</tr>
<tr>
<td>300-500</td>
</tr>
<tr>
<td>500-800</td>
</tr>
<tr>
<td>800-1,200</td>
</tr>
<tr>
<td>Above 1,200</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

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

More sources are available for estimating disposable income, where the choice is also more controversial. Two alternatives 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

\(^{16}\) Only adult citizens (older than 21) were subject to taxation (Bruni 1894, 23).

\(^{17}\) 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.

\(^{18}\) 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 liras 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.

*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 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.

First, I subtract total fiscal revenues from GDP; as customary in the literature on top incomes, the resulting figure is scaled down by a 20%, to account for tax evasion, exemptions, and other differences from the ‘ideal’ total. 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 WWI, reflecting the aforementioned fall in consumption), it is reassuringly similar to the first (and conveniently, does not interrupt during WWII). Both totals come close to the independent, household budgets-based estimates by Vecchi (2017) for 1911, 1921 and 1931. A very different trend is obtained by summing up total incomes assessed for direct income taxation (from the official statistics on Ricchezza Mobile, Immobili, and Fondiaria – this latter, unfortunately, not available between 1914 and 1925) to the total labour remuneration (that should account for those incomes below the threshold, but inevitably lead to some double counting with those accounted by the 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 Complementare’s tabulations) and the labour incomes assessed for the Ricchezza Mobile. These series do not seem ideal income totals, given the very different coverage of GDP across time, but signal

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19 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).

20 It would have been preferable to take only the dependent labour out, leaving professionals inside; but their incomes are provided separately only from 1931.
two important things. First, the appropriate total should be lower than ‘disposable income’, as captured by the sources discussed above.\textsuperscript{21} Therefore, in this work I adopt a three-years moving average of the 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. Second, 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.\textsuperscript{22}

\textit{Figure 10 – Income Direct Taxation Base, 1925-1945}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{income_taxation_base.png}
\caption{Income Direct Taxation Base, 1925-1945}
\end{figure}

Finally, to interpolate the data, I use the mean split histogram, as in Atkinson (2005). The resulting top 1 and top 0.1\% series are reported in Figure 11. The limited number of taxpayers included in the tabulation makes impossible to estimate the share of the top decile, while 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 Complementare provide consistent information on top income.\textsuperscript{23} A partial exception seems the 1914-1925 difference: evidence on the Great war discussed in Section 4, as well as the aforementioned difficulties of assessing personal incomes for the purpose of progressive taxation (together with the different

\textsuperscript{21} In fact, even this series overestimate the total, given the ‘net’ concept adopted for the Complementare.
\textsuperscript{22} Both in 1913-14 and 1952-53, assessed incomes account for c.10\% of GDP.
\textsuperscript{23} 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 (Prévost 2015, 66-68), relied on unpublished figures from the Finance Ministry. 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).
net concept adopted, and the presence of tax concessions) make difficult to interpret it as the consequence of a real shocks, such as the War of inflation.24

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

![Graph showing top income shares in Italy, 1914-1955](image)

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).

*Table 2 - Top Percentiles Income Thresholds*

<table>
<thead>
<tr>
<th>Year</th>
<th>Threshold (current lire)</th>
<th>Threshold (1938 lire)</th>
<th>GDP pc. (1938 lire)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Top 1</td>
<td>Top 0.5</td>
<td>Top 0.1</td>
</tr>
<tr>
<td>1914</td>
<td>2162</td>
<td>3497</td>
<td>10075</td>
</tr>
<tr>
<td>1925</td>
<td>19218</td>
<td>26696</td>
<td>57259</td>
</tr>
<tr>
<td>1930</td>
<td>7932</td>
<td>14698</td>
<td>40532</td>
</tr>
<tr>
<td>1936</td>
<td>10375</td>
<td>18954</td>
<td>45322</td>
</tr>
<tr>
<td>1939</td>
<td>13527</td>
<td>22366</td>
<td>56218</td>
</tr>
<tr>
<td>1940</td>
<td>13315</td>
<td>22227</td>
<td>54754</td>
</tr>
<tr>
<td>1941</td>
<td>13419</td>
<td>22295</td>
<td>55052</td>
</tr>
<tr>
<td>1943</td>
<td>16832</td>
<td>25871</td>
<td>71276</td>
</tr>
<tr>
<td>1952</td>
<td>878592</td>
<td>1195878</td>
<td>2476494</td>
</tr>
</tbody>
</table>

Source: see Figure 11.

As expected, different income totals can slightly change the results. When using the C+S, the 1925 figure for top 1% is lower than that in 1930; on the other hand, the 1936 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. This latter indicator seems the most appropriate to capture ‘top’ income earners. As shown in Table 2 holds, the income thresholds defining the

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24 This was clearly the case of Germany after Versailles and hyperinflation: see Figure 12.
top 1% (and even the top 0.5%), even considering the ‘net’ definition behind these income, the generous tax breaks and the issue of evasion (discussed in more length in the next session), probably capture part of the ‘middle class’. The top 0.1% thresholds are also more stable in constant terms, ensuring greater consistency.

*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 units figures are available in the period).

For both series, despite the low definition of income adopted, Italian top income shares are relatively low by international standards (Figure 12). 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 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 hard on profits. In fact, the contemporary fall in the capital share suggest a concentration of incomes within capital, consistent with the literature summarised at the end of section 2. From 1940, 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. Contrary to most countries (and in line with the W/Y ratio), in Italy this fall was in fact only temporary: top incomes in 1952 are back to the level of 1939-1941.

The new series makes also possible an admittedly tentative comparison with modern figures by Alvaredo and Pisano (2010) (Figure 13). The construction of consistent long-run series would arguably require further reduction of the reference total for the Complementare, 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 not only a secular peak (according to the C+S top 1% series). Even accepting the diverse ranking obtained with the Y-T, the results contest Rossi et al. (2001) and Amendola and Vecchi (2018) conclusions on the absence of a Kuznets-type, inverted relation between industrialisation and inequality in Italy.

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

![Graph showing Italian top income shares from 1910 to 2010](image)

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

### 6. A War on Tax Evasion? Propaganda and Numbers

Are Italian top income shares low because of tax evasion? And if the latter was so widespread, can we trust top income figures? This last session addresses these questions by reviewing available literature on tax enforcement during the period and making use of the few quantitative evidences 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). These results would therefore confirm the findings of coeval economists, that using the same sources concluded that Italian incomes were not much concentrated (Gini 1914; Boldrini 1925). This should however be understood in the light of the low stage of development reached by the Italy in this period. Amendola and Vecchi (2017, 314-316) figures on the ‘extraction ratio’ (the ratio between

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25 Proven, according to Manestra (2010, 33), by the interruption of the publication of taxpayers’ lists.
26 It should be noted, however, that Amendola and Vecchi’s figures are based on households, rather than individuals.
27 In fact, Italian top income shares tend still to be low by European standards: Evasion is still a concern, but historical peculiarities of the Italian economy (scarce presence of big corporations, wide self-employment, …) can also explain it.
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-WWII 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, evasion was likely to be extremely high at the top, especially among capital incomes. A decree issued again by De’ Stefani’, abolished the certification of financial assets. This had been introduced after the Great War, to make possible to link capital incomes to individual taxpayers and subject them by a personal, progressive income tax (Manestra 2010, 28). According to Deni (1934, 692), out of an estimate of 18 billion lire of total evasion, no less than 8 billion were dividends and interests on public bonds that escaped the Complementare. For Borgatta (1946, 331), evasion was ‘almost total’ on those assets exempted from real taxes; notably, in the period 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*

3 5 7 9 11 13 15

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. For instance, 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’ to tax evaders (Manestra 2010, 28-29). Contemporaries had divided opinions: Orlandi (1934, 47) and Retti-Marsani (1936-37, 48), expressed their confidence in the improved quality of fiscal statistics. In 1925, few months before the end of his mandate, De’ Stefani had to admit that
‘between 50 and 75%’ of the Ricchezza Mobile was evaded, with ‘greater evasion’ at the top. Senator Ricci (1937, 23) stressed how richest earners were not adequately captured by the Complementare. In theory, the ‘presumptive’ method of estimating taxable incomes – introduced in 1932 to fight evasion that allowed tax authorities to ‘deduct’ income from luxury consumption – could have increased the ability to trace higher incomes. But as most fascist measures, it ‘made possible to assail small taxpayers, but [was] absolutely useless with respect to major ones’, given that observable consumption did not greatly change above certain thresholds; the 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 (…) subtracted (…) most of their incomes to fiscal checks’. According to Frascani (1978, 1067) (but also by post-WWII 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 employees and promoting bureaucratization.

Table 3 – Taxpayers and Assessed Incomes: Ricchezza Mobile and Complementare, 1925-1940

<table>
<thead>
<tr>
<th>Year</th>
<th>Mixed Incomes</th>
<th>Professions</th>
<th>Complementare</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Taxpayers</td>
<td>Avg. Income</td>
<td>Taxpayers</td>
</tr>
<tr>
<td>1925</td>
<td>853,383</td>
<td>3,933</td>
<td>108,370</td>
</tr>
<tr>
<td>1928</td>
<td>969,582</td>
<td>5,763</td>
<td>131,177</td>
</tr>
<tr>
<td>1930</td>
<td>1,019,230</td>
<td>6,559</td>
<td>152,415</td>
</tr>
<tr>
<td>1936</td>
<td>1,080,605</td>
<td>5,434</td>
<td>181,133</td>
</tr>
<tr>
<td>1939</td>
<td>1,155,394</td>
<td>7,339</td>
<td>215,673</td>
</tr>
<tr>
<td>1940</td>
<td>1,148,829</td>
<td>7,176</td>
<td>193,460</td>
</tr>
</tbody>
</table>

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

While modern appraisals are largely based on qualitative evidence, coeval evaluations were based on comparison between total incomes assessed by tax authorities and largely incorrect estimates of national income. In Table 3, I report available figures on the number of taxpayers and on incomes assessed for the Ricchezza Mobile and the 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 Complementare shows that this did not translate into a similar trend for the progressive tax. Apart for the 1925 figures (probably overestimated by Boldrini’s interpolations), average assessed income decreased between 1930 and 1936. The new incomes subject to the Complementare were, on average, coming from the lower brackets, while most of the increased tax base of the Ricchezza Mobile evaded the progressive surtax. According to a second work by Orlandi (1934), in fact, also these new incomes were mostly below or close to the mean values. As showed in Table 4,

28 Senate speech of March 17, 1925 quoted in Fausto (1993, 120).
29 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.
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 4 - Concentration Within Taxed Incomes, 1922-1929

<table>
<thead>
<tr>
<th>Activities</th>
<th>1922</th>
<th>1929</th>
<th>Differences 1929 - 1922</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Taxpayers</td>
<td>Avg. Income</td>
<td>Gini</td>
</tr>
<tr>
<td>Textile</td>
<td>9,600</td>
<td>16,999</td>
<td>77.88</td>
</tr>
<tr>
<td>Drugs</td>
<td>16,669</td>
<td>5,573</td>
<td>50.87</td>
</tr>
<tr>
<td>Chemicals</td>
<td>7,623</td>
<td>9,089</td>
<td>70.56</td>
</tr>
<tr>
<td>Apparel</td>
<td>67,349</td>
<td>4,835</td>
<td>61.98</td>
</tr>
<tr>
<td>Small Industries</td>
<td>14,122</td>
<td>3,685</td>
<td>54.36</td>
</tr>
<tr>
<td>Artistic &amp; Mech. Ind.</td>
<td>15,988</td>
<td>5,718</td>
<td>57.68</td>
</tr>
<tr>
<td>Credit &amp; Business</td>
<td>4,588</td>
<td>9,876</td>
<td>77.57</td>
</tr>
<tr>
<td>Category B</td>
<td>765,134</td>
<td>4,188</td>
<td>59.78</td>
</tr>
<tr>
<td>Health Professions</td>
<td>18,414</td>
<td>4,692</td>
<td>47.66</td>
</tr>
<tr>
<td>Intermediation Prof.</td>
<td>19,934</td>
<td>6,188</td>
<td>57.94</td>
</tr>
<tr>
<td>Category C</td>
<td>87,031</td>
<td>4,643</td>
<td>54.21</td>
</tr>
<tr>
<td>Total</td>
<td>852,165</td>
<td>4,235</td>
<td>1,015,057</td>
</tr>
</tbody>
</table>

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 section 5 and exclude major upward biases in the trend given to 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 high bureaucracy; illicit profits, especially those made possible problematic introduction and management of trade controls (Toniolo 1980, 286), and those allegedly involving top fascist leaders and denounced by the press after the War. 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 *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 when presenting the *Complementare* (De’ Stefani 1924, 455).

7. Conclusions

In one of the first, live 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 tried to fill a major gap in the history of interwar Italy, by discussing inequality trends, from Giolitti to fascist Italy. Writing the history

30 See, for instance, Bertoldi (2009). Published in 1979, this journalistic inquiry described how most fascist leaders were ‘dirt poor’ at the beginning of their political careers but ended them substantially wealthier. General Pietro Badoglio, governor and viceroy of Ethiopia, recognised as war criminal by UN, pretended to be compensated for the conquest of the new colony ‘with the land, furniture, décor, and the building of a gigantic villa in Rome, plus a present of 5 million cash and various other stuff, not to mention aristocratic titles’ (Ibid., 33). Rumours involved especially the Ciano (the father Costanzo, MP from 1921, had been Communications Minister and Speaker of the Chamber; the son Galeazzo was Minister for Foreign Affairs, and married Mussolini’s daughters) and Petacci’s families (Claretta was from the early 1930s the most famous of Mussolini’s lovers, and was killed at his side in 1945). The official commissions set up in the late 1940s to process fascist illicit profits did not come, however, to many results.
of inequality is to write 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).

In the absence of consistent and continuous evidence, a pragmatic, multi-source approach made possible to highlight two crucial junctures, previously overlooked. Both the Great War, and the Great Depression, emerged as two of those short-term ‘episodes’ Atkinson (1997) recommended to look for in understanding the history of inequality. In both cases, Italian trends are anomalous in international comparison. The collapse of the labour share during World War I place 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 revealed increasing top income shares during the Great Depression. Inequality did not rise simply because of exogenous events (the crisis, and arguably, the restrictions on emigrations imposed by destination countries): in fact, it is consistent with 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 ‘strict bonds developed in those years between high bureaucracy and big industrialists’ (Ibid., 302-303).

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31 For an exposition of this ‘productivist’ view, see De’ Stefani (1923, 51).
32 De’ Stefani (1930), quoted in Fausto (1993, 128). As stressed by the scholar, the regime ‘always remained loyal to this initial programme’.
33 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).
existence of ‘diverse’ history of inequality, but possibly the existence of a common ‘fascist trend’, at least in the interwar decades.\textsuperscript{34}

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, that go far beyond the scope of this work. For sure, Italian fascism represented an important discontinuity in the long-run development of Italy, marked by rising inequalities and decreasing living conditions of the working class. More detailed and reliable data would be needed to provide more detail on which groups, regions and sectors benefitted the most. For the moment, from an economic history perspective, the ‘Italian lesson’ seems to be simply that, in defining fascism, inequality matters.

\textsuperscript{34} Of course, differences existed between fascist countries. Toniolo (1980, 297) noted that, by 1933, Mussolini’s power was ‘quite well established’, and did not feel the same urgency of fighting inequality than the new Hitler’s cabinet.
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