

Economic development since Italian unification: recent answers and new questions for **future research**

Giovanni Vecchi

U. di Roma “Tor Vergata”

Banca d'Italia

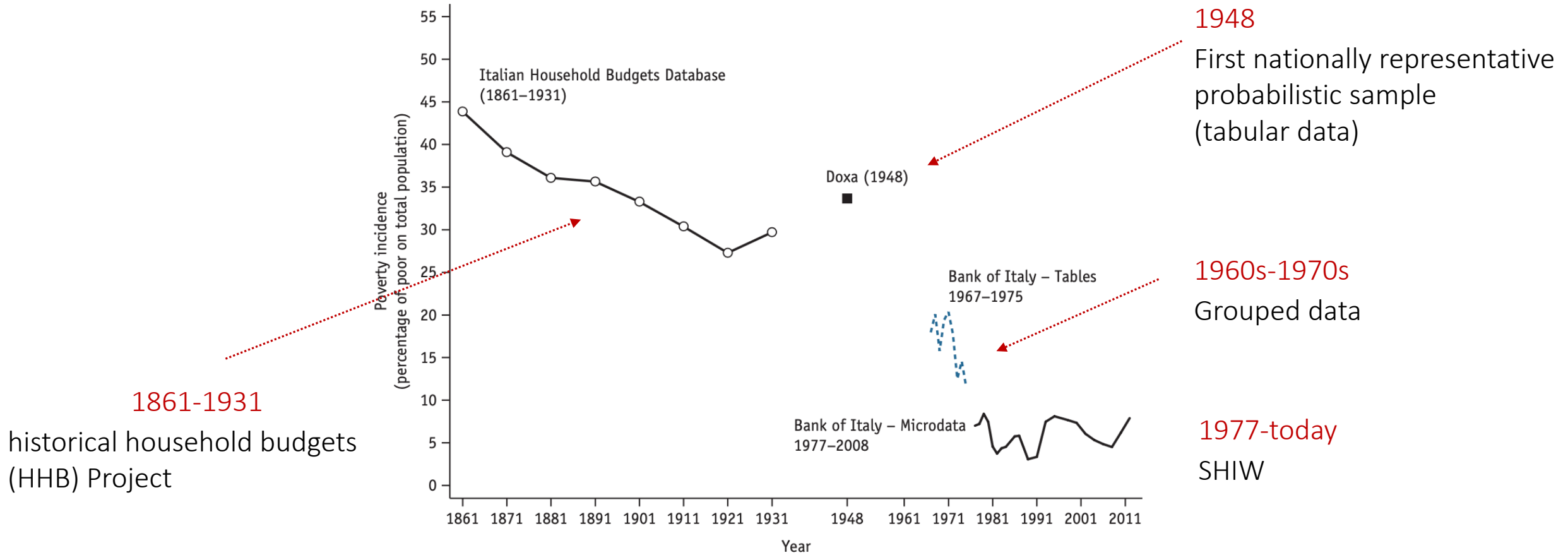
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Economic vulnerability

- Gianni Toniolo has been reminding me for a long time that every ounce of **prosperity** we have earned is a historically **recent** achievement and, as such, we had better take it as **temporary**. And act accordingly.
- 25 years ago that sounded strange. By now, it clearly does not.
- Households are economically vulnerable, i.e. they face a **strictly positive probability to become poor in the future**. The main challenges are 1) to identify and quantify risks, 2) to figure out how risk varies across individuals, and 3) to understand coping mechanisms.
- As an economic historian, I think a key **research area** is to contribute to our understanding of **economic vulnerability**.

What we know: Incidence of absolute poverty (%), 1861-today

Amendola et al (2017)



Observed versus potential poverty

- “Italy appears to be a country in which a relatively modest segment of the population can be classified as ‘poor’, **while an unexpectedly broad segment turns out to be at risk of poverty in the future**” (Rossi et al 2017: 417-18)
- Why?
- History can help **study households’ response to both idiosyncratic and systemic shocks**, and analyze the role of taxes, benefits, regulation and financial market reforms to improve economic resilience. It provides variation in the institutional context (e.g. the welfare state), and breadth in the range of shocks and policy shifts.

Data and method

- Family budgets can provide the foundation to construct **high-frequency microdata**, for Italy **1861-today**.
- The idea is to exploit modern **microsimulation techniques**: with little adaptation they can be used backward, to explore history.

ON HISTORICAL HOUSEHOLD BUDGETS

BRIAN A'HEARN, NICOLA AMENDOLA,
GIOVANNI VECCHI

Abstract: The paper argues that household budgets are the best starting point for investigating a number of big questions related to the evolution of the living standards during the last two-three centuries. If one knows where to look, historical family budgets are more abundant than might be suspected. And statistical techniques have been developed to handle the associated problems of small, incomplete, and unrepresentative samples. We introduce the Historical Household Budgets (HHB) Project, aimed at gathering data and sources, but also at creating an informational infrastructure that provides *i*) reliable storage and easy access to historical family budget data, along with *ii*) tools to configure the data as it is entered so as to harmonise it with present-day surveys.

Keywords: household budgets, household budget surveys, living standards, inequality, poverty, survey, globalization, purchasing power parities, grouped data, post-stratification

JEL codes: N30, I31, I32, C81, C83, D60, D63, O12, O15

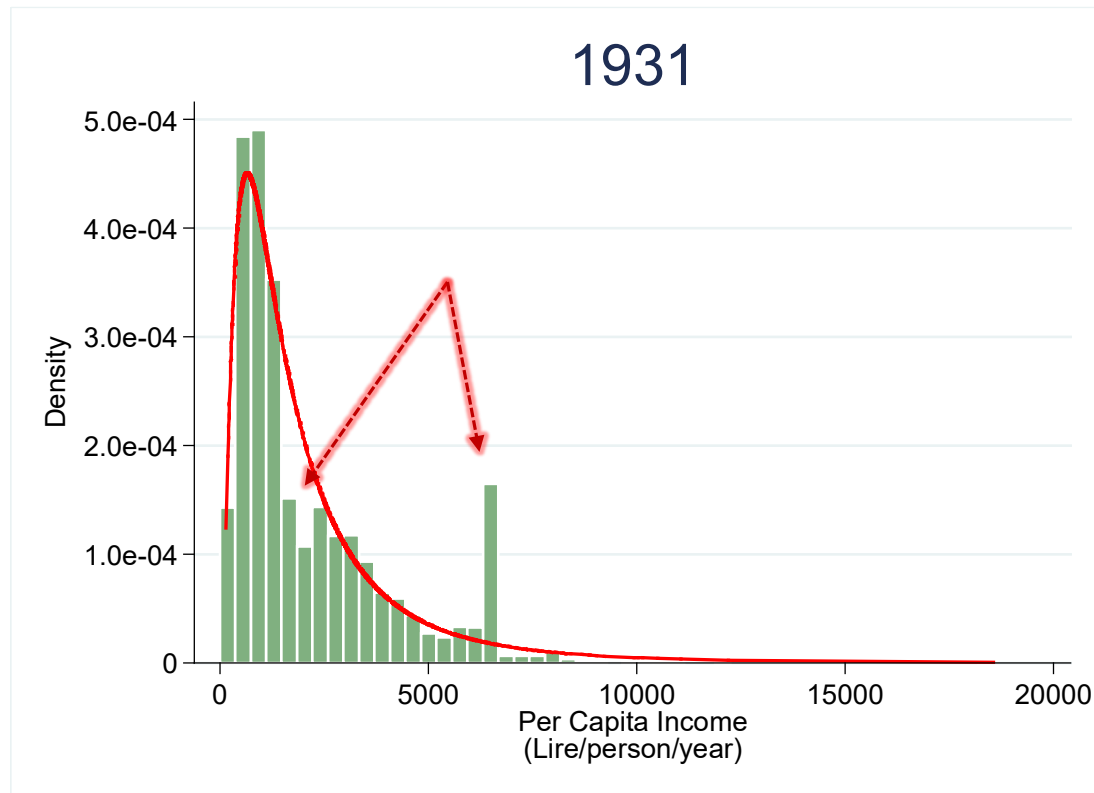
1. Introduction

Like a fairy-tale giant lifting the roof of a house to peer inside, economic historians wish they could see into the lives of families of the past. For important questions can only be answered with detailed evidence about individual households. This is obvious when interest centers on the intra-household allocation of resources, that is, questions of whose consumption was protected when times were tough: the primary breadwinner, the children, males? It

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First-generation collections of household budgets



- **Modeling** (red line) as a way of getting protection against data gaps and flaws.
- We can do better.

How to construct high-frequency income distributions?

- Methods can be borrowed from the literature dealing with forecasting poverty in the future.
- E.g., the World Bank produces regular estimates for 2030 (according to UN SDGs, extreme poverty must be ended), but also for 2050. OECD (2018) outlines scenarios for 2060. Etc.
- The simplest approach is to reverse-engineer forecasting methods and back-cast poverty in the past.
- Objective: annual distributions of income for 1861-today

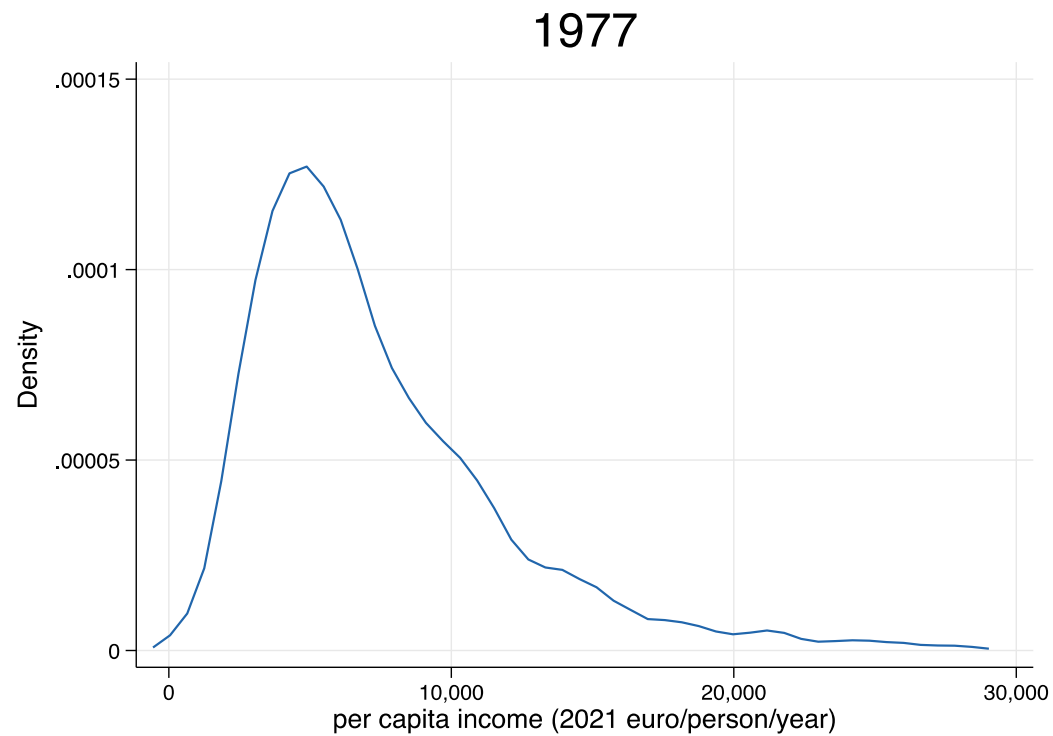
A feasible empirical strategy for economic historians

- Project, or shift, income distributions **backward in time**:

$$y_{t,h}^s = (1 + g_{s,t}) y_{t-1,h}^s$$

where $y_{t,h}^s$ is the income of h -th household belonging to economic sector s in year t , and $g_{s,t}$ is real growth of per capita GDP by sector of economic activity.

Illustration

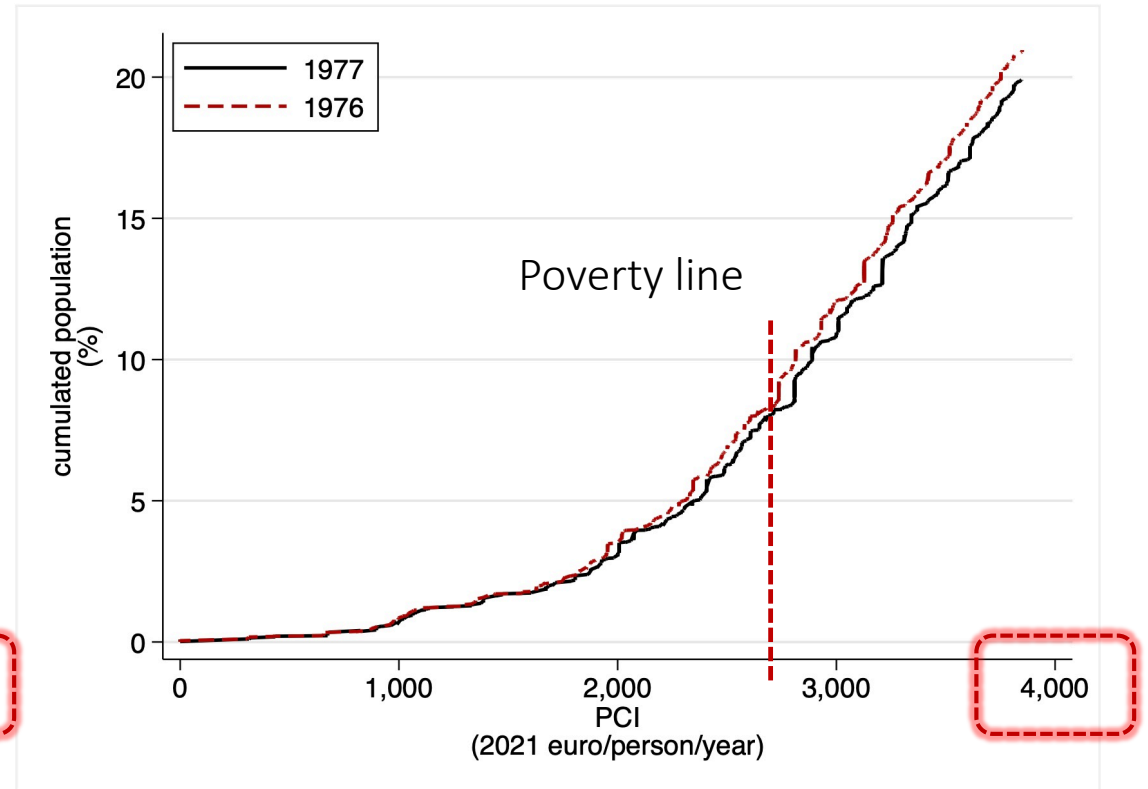
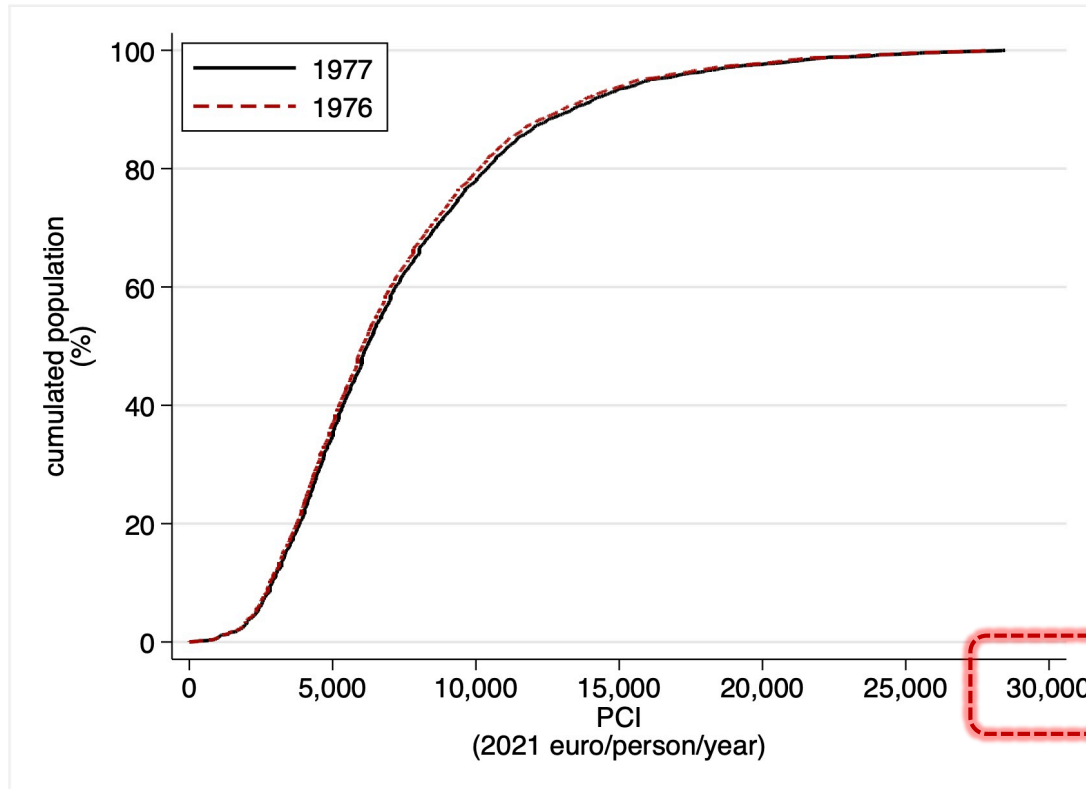


Baffigi (2015) – Value added (constant prices)

<i>s</i>	1976	1977	<i>g</i>
Agriculture	19,432	19,478	$g_{a,t-1}$
Industry	198,888	205,379	$g_{i,t-1}$
Services	463,325	475,605	$g_{s,t-1}$

$$y_{1977,h}^s = (1 + g_{s,t-1})y_{1976,h}^s$$

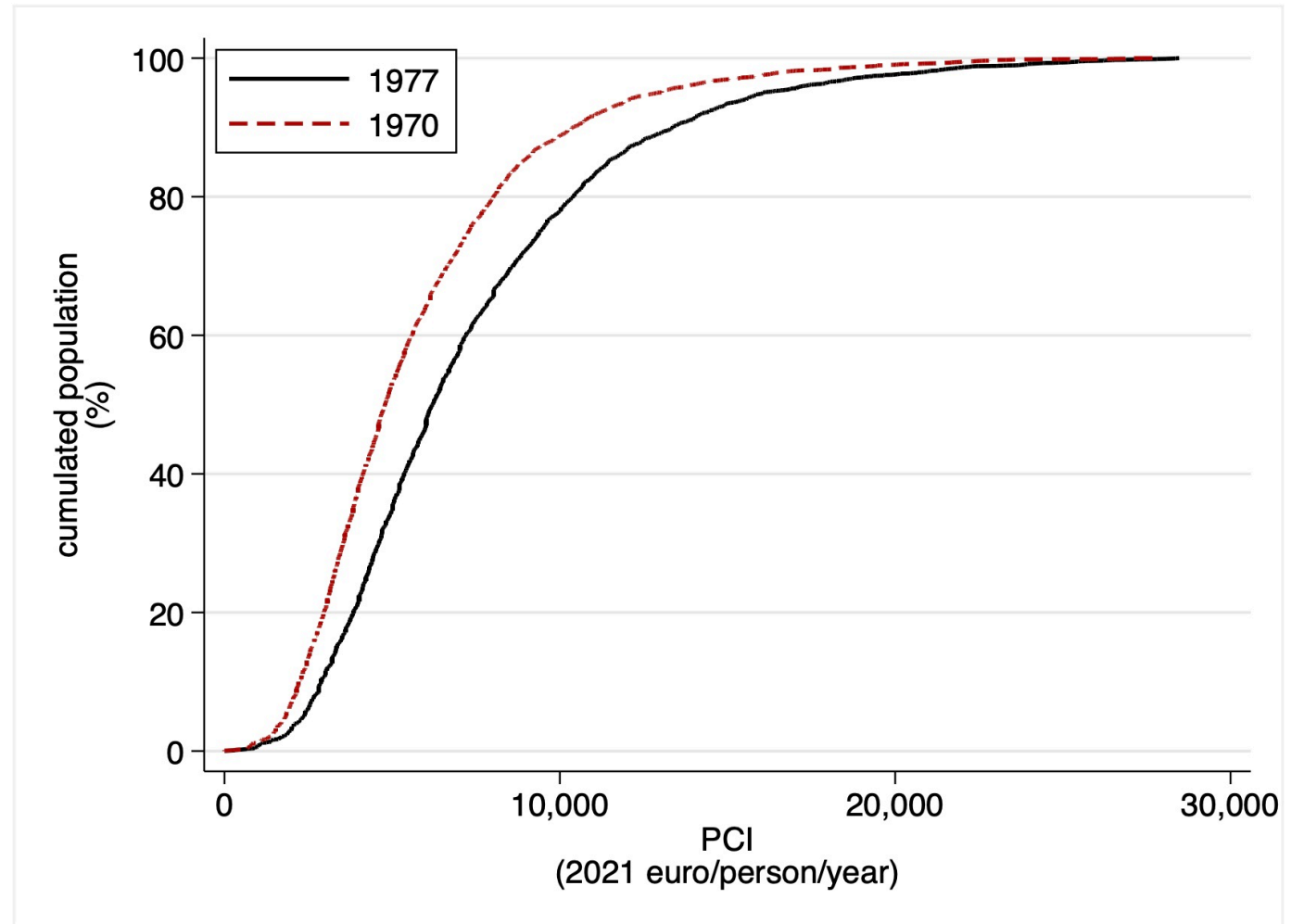
From 1977 to 1976



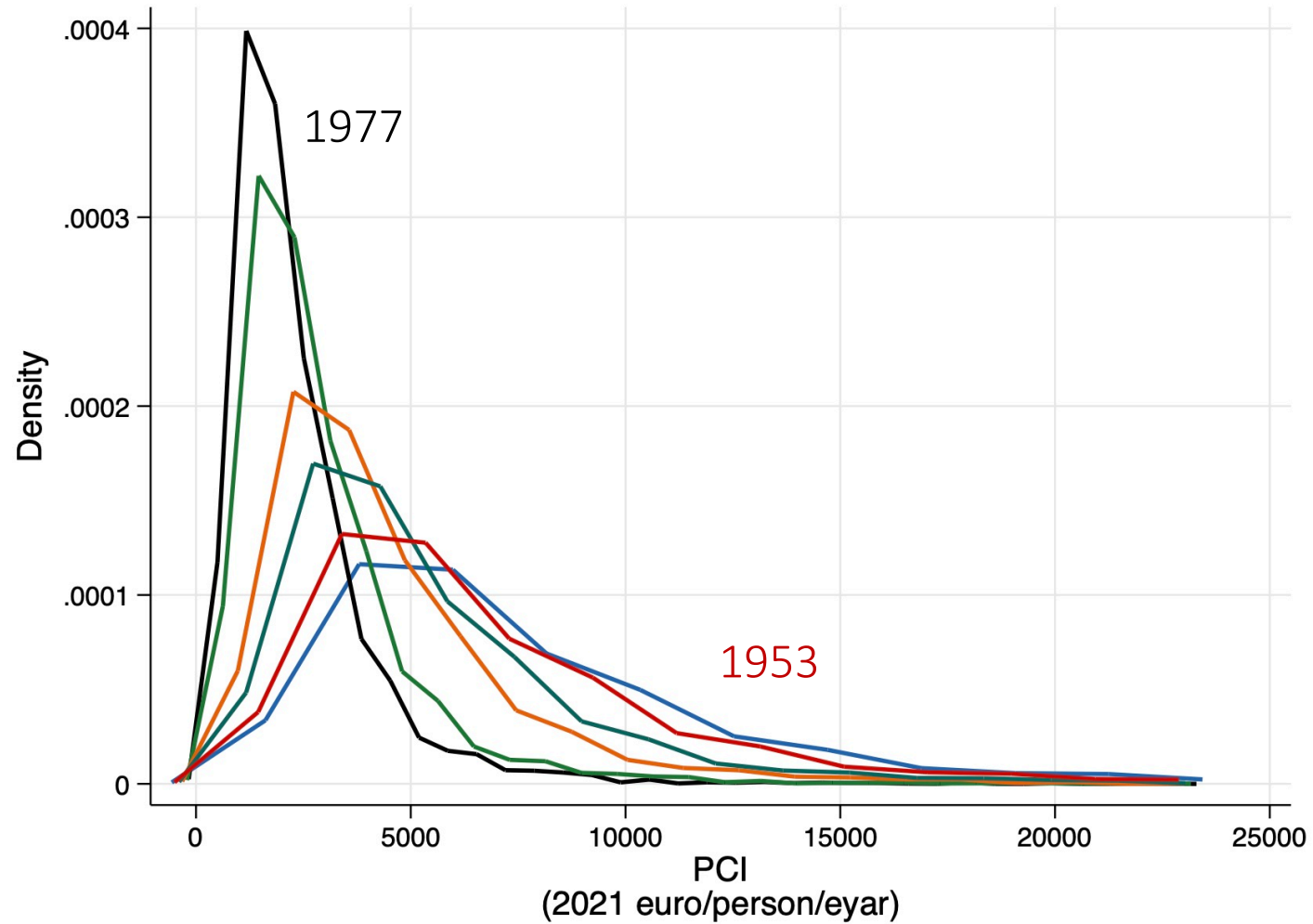
From 1977 to 1970

(simplified notation)

$$y_{1977,h}^s = (1 + \tilde{g}_s) y_{1970,h}^s$$



Distributions in motion, 1977-1953



A little conceptual revolution

- Whether empirical difficulties will be successfully overcome, I cannot tell.
- The availability of data and resources will play a major role.
- Economic history will contribute to shifting from an **ex-post** (**counting the poor**) to an **ex-ante** (**estimating economic vulnerability**) perspective.
- Prezzolini's *Italia Fragile* comes to my mind.

Who knows?

“Italy is fragile thanks to its governing class. (...) The governing classes, Liberal, Fascist, Christian Democrat, [however], cannot have duped the Italians for a century without the Italians being a little willing to be duped. Lincoln once said that you can fool all the people some of the time, and some of the people all the time, but you cannot fool all the people all the time. Who knows? He didn’t know the Italians”

(Prezzolini 1974, 33–36)

Thank you for your attention