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Those Who Were Better Off: Capital and Top Incomes in Fascist Italy

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Those Who Were Better Off: Capital and Top Incomes in Fascist Italy[1]

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Abstract

In the centennial of the March on Rome, this paper contributes to the political economy of Italian Fascism by addressing in quantitative terms the fortunes of Italian economic elites during the interwar period. Macro-economic indicators indicate capital accumulation and high profits, in a period characterised by international economic turmoil, alongside increasing concentration. New fiscal evidence is adopted to show the increasing relative position of the rich, including new series of top income shares. A discussion of taxation at the top and its evasion makes it possible to place these developments within the regressive economic policies of the Fascist regime.

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1. Introduction

Within the renewed interest for historical inequality (Federico, 2021), the importance of capital and wealth and the fortunes and composition of elites groups of societies have been increasingly emphasised. Piketty (2014) stressed the importance of looking both at the evolution of the level of patrimonialisation of the society, captured by the wealth-to-income ratio, and the concentration of wealth and income at the top of the distribution. Economic historians have shown the importance of analysing the composition of these elite groups (Scott, 2021), and the importance of capital incomes in driving their evolution over time (Bengtsson and Waldenström, 2018).

This paper approaches the issue of capital and top incomes in Italy during the interwar period. These decades play a crucial role in the recent debate on long-run inequality trends in Europe, due to the dramatic impact of wars and economic crises, and the changing attitudes towards progressive taxation and redistribution (Piketty, 2014). Economic historians have, however, contested a simplistic interpretation of this dynamics, by highlighting diverging distributional during this period (Gómez-León and de Jong, 2019). At the same time, this period of Italian history was marked by the emergence of the first Fascist dictatorship. The centennial of the March on Rome and contemporary concerns on the rise of right-wing parties across the world call for a renewed interest in Italian fascism: Acemoglu et al. (2022) contributed to the debate on its origins, reinvigorating the traditional interpretation of Fascism as the response by the economic elites to the Socialist threat (Grifone, 1971).

Economic elites were indeed an explicit target of early 1920s fiscal policy, when, within a broader 'austerity' framework (Mattei, 2022), the Fascist government aimed at stimulating their savings to foster capital accumulation (Gabbuti, 2021b). Even after the end of this first 'honeymoon,' the 'marriage of convenience' between Fascists and industrial owners continued (Segreto, 2002). During the Great Depression, earlier and more effectively than elsewhere, Italian authorities bailed out large banks and firms, while incentivising collusive behaviour between firms, to sustain prices and profits **(**Sylos Labini, 2014, pp. 47-54), and the State maintained the ownership only of the least profitable sectors (Toniolo, 1980, pp. 302-303). Even 1930s 'autarky', rather than introducing 'forms of centralised economic planning', 'offered corporations a unique chance, especially through an expanding domestic market and tax breaks, to invest and make huge profits' (Bertilorenzi et al., 2022). At the outbreak of WWII, according to the industrialist Ettore Conti (1986, pp. 431-432), 'a financial oligarchy developed in a way that reminds ancient feudalism, in the industrial field'; for Conti, production was 'in great part, controlled by few groups, each led by a single man'. For these reasons, a focus on the fortunes of the rich in Fascist Italy would not only contribute to the history of inequality in the country but highlight important political economic aspects of this crucial period, in line with what recently argued by Rodríguez Weber (2021) for Latin America.

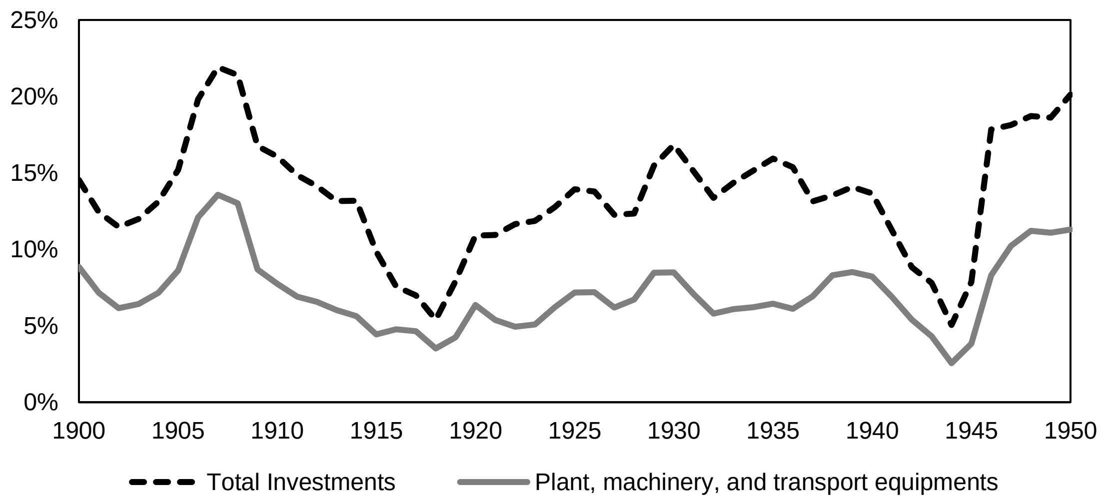
Evidence on the Italian rich is, however, extremely limited. Factor shares suggests that capital incomes accounted for some half of total value added before WWII (Gabbuti, 2021a; Giordano and Zollino, 2021), substantially above the levels of the leading economies of the times; however, while the abolition of inheritance tax in 1923 makes impossible to estimate top wealth shares (Gabbuti and Morelli, 2022), information on top incomes is also limited. The series by Alvaredo and Pisano (2010) start only from the 1974. The Gini estimates by Amendola and Vecchi (2017, pp. 331-332), based on historical household budgets, imputed top incomes by means of a parametric distribution. Between 1921 and 1931, the stability of the Gini is driven precisely by the mediocre performance of top incomes; however, the inclusion of a small sample of aristocratic families resulted in an increase in inequality in the period (A'Hearn et al., 2020). By imputing capital incomes to the richest percentiles, Gómez-León and Gabbuti (2022) obtained a similar result by means of dynamic social tables.

To discuss the evolution of capital and top incomes in Fascist Italy, the paper first surveys the macro-economic context on investment, capital incomes and accumulation, as well as concentration within industries (section 2). Section 3 discusses the surviving fiscal evidence on income distribution. After showing province-level Gini indices of the incomes of entrepreneurs and professionals, as well as some indication of the top taxpayers in these categories, section 4 presents a new series of top income shares, for several years between 1914 to 1952; in order to assess their reliability, section 5 discusses tax evasion at the top. Overall, while macro-economic indicators point towards capital and wealth accumulation, and a relatively satisfactory performance of capital incomes in a troubled period such as the interwar, fiscal evidence suggests that the rich managed to improve their position, both in the 1920s and in the aftermath of the Great Depression, consistently with the regressive nature of Fascist economic and fiscal policies.

2. Economic Growth and Capital Accumulation in Fascist Italy

As recently summarised by Gabbuti (2020a, pp. 256-263), the revised national accounts offer a renewed picture of the aggregate performance of the Italian economy between the world wars (Baffigi, 2015). According to the unsatisfactory comparisons made possible by the different releases of the Maddison Project Database, after the Great War Italy was still rooted in the European periphery, with a GDP per capita below Sweden, and in line with Spain. A short-lived period of fast growth occurred between 1922 (+8.5%) and 1926, when the abrupt re-evaluation of the lira (known as *Quota 90*: Cohen, 1972) provoked a downturn (+0.8%, and then -3% in 1927). Still, due to the positive performances of 1928 (+6.3%) and 1929 (+5%), the average real growth rate was 4% in 1922-1929, almost double those of the 'take-off' years 1896-1913. The new series do not worsen the immediate impact of the Great Depression, but its persistence, postponing the recovery to the late 1930s, and notably, to the Ethiopian invasion. This event led to an increase in military spending, as well as to the end of Italy's defence of the Gold standard, bringing GDP to the 1929 levels only in 1937. New series of industrial output by Felice and Carreras (2012, p. 458) highlighted Fascist Italy's relative 'success story': the 1920s, and particularly 1928-29 growth was stronger than previously believed, as well as the post-1933 recovery. Overall, the share of industry over total VA increased of ten percentage points, at the expense of agriculture, overtook for the first time in 1929 (Baffigi, 2015). Productivity figures are more disappointing: Giordano and Giugliano (2015, p. 29) showed how *Quota 90* marked a watershed, after the 'laissez-faire' years of Minister Alberto De Stefani, in which labour productivity grew fast, especially in more technically advanced industries (4.3% annually). This period was followed indeed by a 'marked slowdown,' and the 1930s were characterised by negative labour productivity growth. According to Giordano and Giugliano, the Italian economy in the Fascist period was characterised by increasing concentration across all sectors, and growth was driven by factor accumulation. While not reaching, as a share of GDP, the peak of the early 20th century 'take-off', both total and plant and machinery investments increased between 1918 and 1931, remaining stable until 1940 (Figure 1Figure 1). As a result, Giordano and Zollino's (2021, p. 750) updated series show capital accumulation, with a steeper growth of 'the cumulated share of machinery, equipment, means of transport and intangibles, which accounted for slightly more than 3% of the total stock in the first decades after the country's unification, rose to around 7% in the period 1929-1938'.

Figure 1 – Investment in Italy, 1900-1950

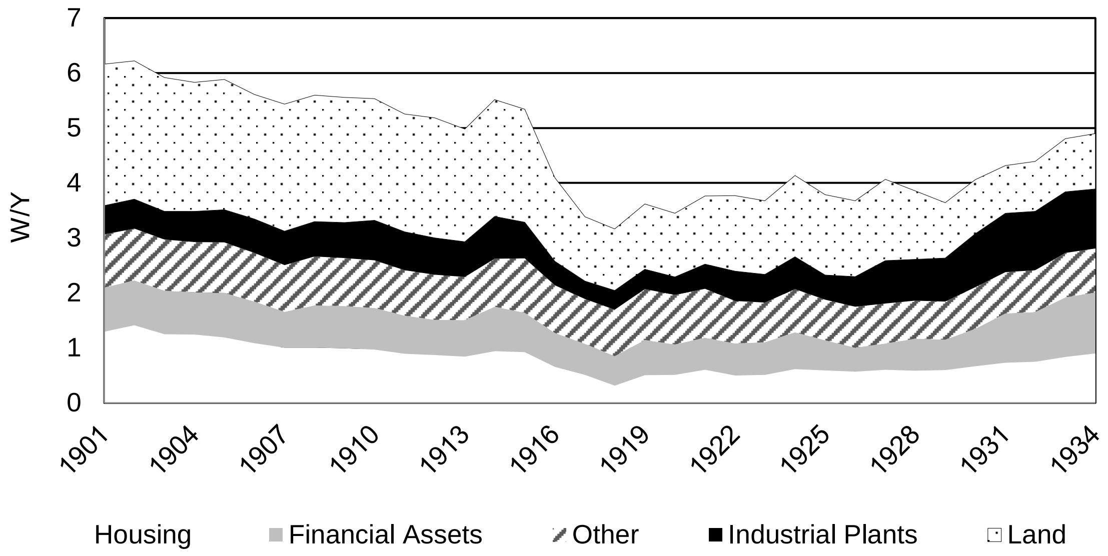


Source: elaboration on Baffigi (2015); figures expressed as % shares of GDP.

After a steady decline during the Giolittian period, and a more abrupt fall during (and arguably provoked by) the Great War, the wealth-to-income ratio was also on the rise, at least until the mid-1930s (Gabbuti and Morelli, 2022). As shown in Figure 2, the ratio increased from the minimum of 3.15 reached in 1918, to almost 5 in 1934, almost back to pre-WWI levels. To investigate in greater detail the interwar evolution of the ratio, Figure 2 combines it with the information on the composition of wealth by asset type from the original series by Retti-Marsani (1936; 1937a; 1937b), to disaggregate it in the major categories adopted by Piketty (2014). According to Retti-Marsani (1937b, pp. 49-51) himself, industrial assets grew in the interwar, because of 'the effort made by the country to build up a real industrial sector': starting at 10% in 1919, they peaked at 26% in 1931. According to the *Imita* database assembled by Giannetti and Vasta (2006, p. 91), the period also saw the growing importance of the top two hundred manufacturing firms, whose assets rose from 10.8% of the GDP in 1931, to 17.4% in 1936, and eventually 26% in 1952.

The rising importance of industrial capital went hand in hand with the increase in concentration, as observed in real time by Italian statisticians (Saibante, 1926). Building on these works, Zamagni (1980) 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 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 or public hands (Zerini, 1947, pp. 74-76), confirming Conti's 'feudal' metaphor. For Giannetti and Vasta (2006, p. 53), based on the *Imita* database. 'Concentration decreases between 1913 and 1927 … then there is an increase between 1927 and 1952'. Giordano and Giugliano (2015, pp. 31-32) add that 'the more modern sectors were those which experienced the largest increase in concentration' and attribute this trend to the 'anti-competitive legislation passed by the Fascist regime'. Sarti (1970, pp. 103-108) had already noted that *Quota 90* represented a way to impose concentration to the reluctant, smaller firms that had emerged in the early 1920s – even before the proliferation, in the 1930s, of price cartels, that 'proved to be an effective means for the preservation of acquired positions and for the virtual exclusion of new firms from the ranks of production'. As noted by Mori (1971, pp. 16-17), the 'leading group of the Italian industry and economy' had evolved in the process, with the 'substitution of the block' between the universal banks and iron and steel producers, by the rising electricity producers, the chemical giant Montecatini, and the Fiat conglomerate led by Giovanni Agnelli. This picture is confirmed by Milan's stock exchange figures: while in 1921 the largest firm in terms of capitalisation was *Banca Commerciale Italiana*, followed by the Bank of Italy, *Credito Italiano, Banca Italiana di Sconto*, and only in the fifth place, the electricity giant *Edison*, ten years later no bank featured among the top ten, *Edison* had risen to the top place, followed by Giuseppe Volpi's *SADE*, operating in the same industry, and *Montecatini*, only tenth in 1921 (Consob, 2011, p. 102). By 1941, *Montecatini* had overtaken *SADE*; the textile and chemical producer *Snia Viscosa* featured fourth, followed by the publicly-owned *SIP* and *SME* (also in electricity) and *Fiat*.[2] The same source show a sustained, continuous growth of both the ratio between the overall stock exchange capitalisation and GDP throughout the 1930s, and the average real return in the whole period, apart for some reversal immediately after *Quota 90* and the Great Depression: returns peaked in 1943, at a level reached again only twenty years later (Consob, 2011, p. 16).

Figure 2 – Wealth-income-ratio and Private Wealth Composition in Italy, 1901-1934



Source: elaboration on Retti-Marsani (1936; 1937a; 1937b) and Gabbuti and Morelli (2022). 'Other' includes mines, *mobilia*, and livestock.

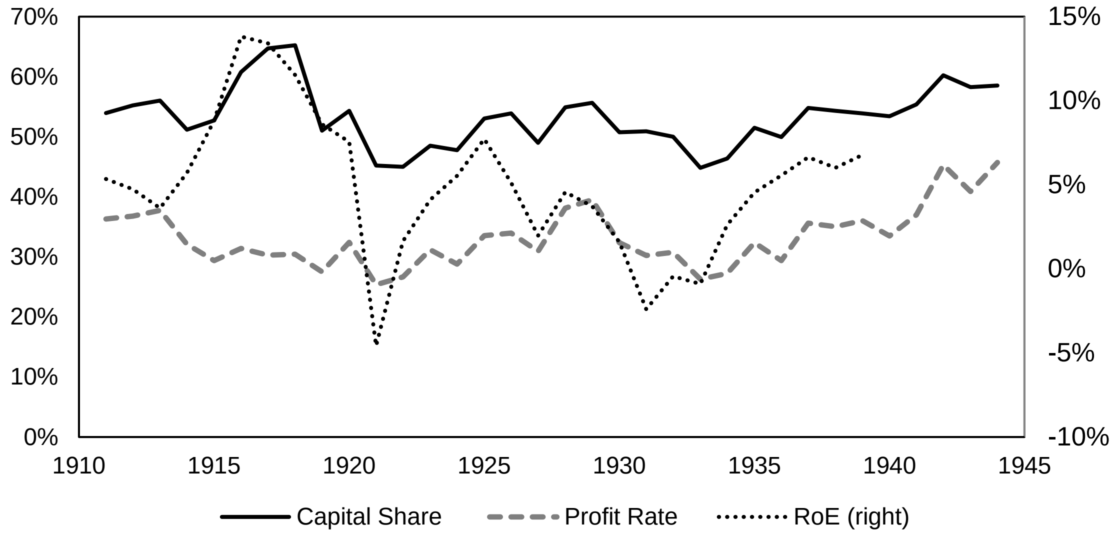
For Mori (1971, p. 20), 'profits had not significantly declined even in the dark years around 1930 … and the 21 major industrial stock companies had saw their capital increasing from c. 6.5 billion in 1931 (12.61% of the total) to more than 11 in 1939 (20.11%), and operating profits increased from 7.12% to 9.68% of capital, with an almost uninterrupted increase between these two years'. The *Imita* database also makes it possible to estimate the return on equity (ROE) for the firms included in the sample (Figure 3), enlarging the picture to all the joint stock companies listed in one of the Italian stock markets. For this series, the highest values from 1900 to 1971 are registered during the Great War, 'with the aggregate ROE peaking, in 1917, at around 15 per cent for the manufacturing industry'

[2] Most of these firms were industrial conglomerates, who diversified their activities in different sectors, either directly or through participations.

(Giannetti and Vasta, 2006, p. 158). Profitability levels then realigned to pre-war levels, and only in 1921 ‘the effects of the *biennio rosso* [the two years of labour unrest between 1919 and 1920] are clearly discernible’; beginning from 1922, ‘ROE reverts to positive values of around 4 per cent for the manufacturing and mining industry, while the utilities show, as from 1923, a significant increase In levels of profitability which remain constant during the 1920s’. For Giannetti and Vasta (2006, p. 159), ‘The advent of Fascism brings with it a strong recovery in the profitability of capital and also a notable change in the financial structure of firms’, again with temporary exceptions in 1927 and in 1930-32. The recovery started in 1933, when ‘a new phase of expansion begins, with a constant rise in profitability until 1939’, exceeding 5% per cent per annum in manufacturing. As noted by Giannetti and Vasta (2006, pp. 159-160), large firms performed considerably better, even in the most troubled period.

The series of labour share (Gabbuti, 2021a) make possible to obtain the capital share as a residual – a very basic indicator, that however provide us with a crucial benchmark for inequality, and especially top incomes (Figure 3Figure 3). Indeed, Bengtsson and Waldenström (2018) found strong and positive correlation between capital and top income shares and suggest adopting the first as an external check for the estimation of the latter.

Figure 3 – Return on Equity, Capital Share and Profit Rate in Italy, 1910-1945

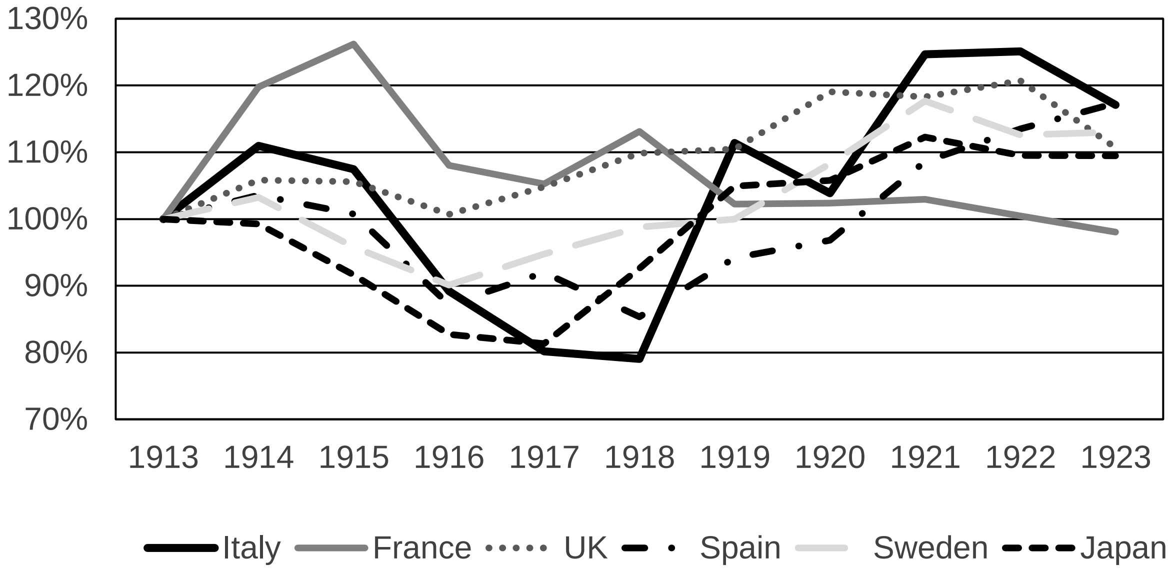


Source: capital share from Gabbuti (2021a); profit rate elaborated on Gabbuti (2021a) and Giordano and Zollino (2021); ROE from Giannetti and Vasta (2006).

The capital share, already high by Western European standards, increased dramatically during the Great War, in line with the ROE. As shown in Figure 4, the collapse of the Italian labour share was impressive also in relative comparison – and according to Gómez-León and Gabbuti (2022), the resulting increase in capital incomes was such to more than compensate the reduction of within-labour inequality, leading to an increase in overall income inequality.

As for the ROE, the *biennio rosso* led to a sharp contraction of the capital share; neither movement is reflected by the profit rate (that is, capital incomes over capital stock), that remains relatively constant. After the March on Rome, the share of national income accounted by capital increased by almost ten percentage points until 1929, when the Great Depression, as expected given the higher elasticity of profits to economic downturn, result in the increase in the labour share until 1933; from that year, capital share increased, in line with the ROE and the profit rate, and peaked in 1942.

Figure 4 – Labour Shares in 1915-1922



Sources: elaboration on Gabbuti (2021a) and Bengtsson and Waldenström (2018); figures expressed as % of 1913 levels.

While the most recent quantitative evidence confirmed the dismal performance of Fascist Italy in terms of living standards (Gabbuti, 2020a), the macro-economic indicators discussed in this section suggest that wealth accumulation was substantial, and capital incomes did relatively well, especially when considering the troubled international context. In this sense, the absence of a 'discontinuity in the data generation process' of capital stock between 1881 and 1938, obtained econometrically by Ricciuti (2014) (based on older series of capital stock), is a surprising achievement, in the troubled decades characterised by the collapse of global trade and capital markets. These indicators do not seem to reflect, on the other hand, the discontinuity marked by *Quota 90*, and more broadly, the eclectic economic policies enacted by Fascists. For sure, from mid-1920s, accumulation and the growing importance of industry were unequivocally characterised by increasing concentration, especially in the modern sectors. From the perspective of this paper, it is not that relevant whether these developments precluded or favoured further and later growth, but simply that they signal the improved position of the economic elites of the country; something that should not be overlooked when discussing personal income distribution. An advocate of this view, such as Rossi (1966, p. 12), ironically noted the 'great modesty' of those he defined as the 'great barons' of the Italian economy, who contrary to their foreign 'colleagues', abstained from revealing to the public their wealth, while hiding 'most of their incomes from fiscal checks'. The rest of the paper will discuss what the surviving fiscal evidence can tell us about the incomes of the rich in interwar Italy.

3. Fiscal Sources on Top Taxpayers in Interwar Italy

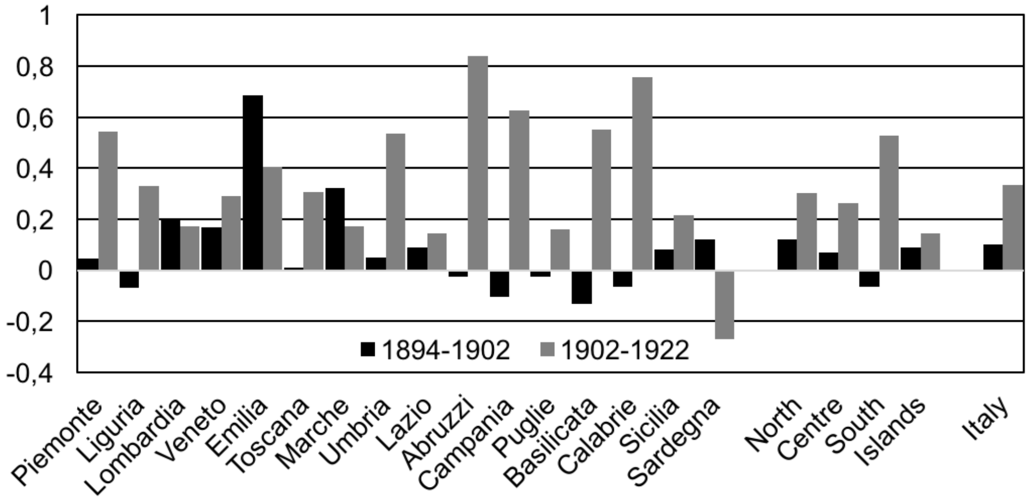
Looking for historical fiscal tabulations to estimate Italian top income shares, Alvaredo and Pisano (2010) could not find anything before 1974, when those of the newly introduced IRPEF – the main personal income tax in Italy today – started to be regularly published. In fact, official sources did not regularly publish similar tabulations; still, among the abundant statistical material, that as discussed is mostly considered sceptically by Italian historians (Frascani, 1978), we can find some material that could be useful to grasp distributive trends.

For instance, while, as pointed out by Borgatta (1922), aggregate returns from the various new taxes introduced during the Great War are scarcely informative of underlying incomes, before the end of the war the Finance Ministry published a small book listing the 228 firms and individuals who, between August 1914 and December 1915, had declared at least one million lire of 'war-related extra profits' (MEF, 1918): in total, in the very first months of Italy's intervention, they amounted to 900 million lire, some 5% of national disposable income in 1915. Defined as returns above 8% of invested capital (net of production costs and taxes), these extra profits were arguably only part of the total, since, on top of the opaque and collusive procurement practices mentioned above (that allowed the firms to dump on the state any increase in labour cost or taxes: Forsyth, 1993), even when not hiding their profits, firms were able to easily 'dilute' them by issuing free shares, as done by Fiat (Castronovo, 1977, pp. 89-90). Unfortunately, in his first days in office, De Stefani disbanded the Parliamentary board of enquiry on war profits, preventing it from issuing an informative report (Ecca, 2017).

Another interesting source is represented by individual taxpayers' incomes, assessed for the purpose of the *Imposta di ricchezza mobile* – the main income tax from Italy's unification to the

1970s (Alvaredo and Pisano, 2010). In fact, alongside regular figures on the total and average amounts declared under the different schedules, from time to time, the Directorate General for Direct Taxation of the Ministry of Finance issued volumes reporting the incomes declared by all private taxpayers – especially those categories ('mixed incomes', filed under the 'B' schedule, and professionals, the only incomes from 'labour' taxed at this time, under the 'C' one) considered by contemporaries the most likely to under-report (the other schedules covering capital incomes, A, and public employees, D) (Gabbuti, 2021c). These lists became a major source for scholarly work on inequality in interwar Italy: encouraged by Corrado Gini, the statistician Silvio Orlandi analysed the available information (Gabbuti, 2019, pp. 113-117). First, Orlandi (1933) computed Gini indices for all business sectors and regions in 1922, and compared them with figures for 1894 and 1902, highlighting a marked increase in within-business income inequality (Figure 5).[3]

Figure 5 - Change in Gini Index (*Ricchezza Mobile, B-Type*)



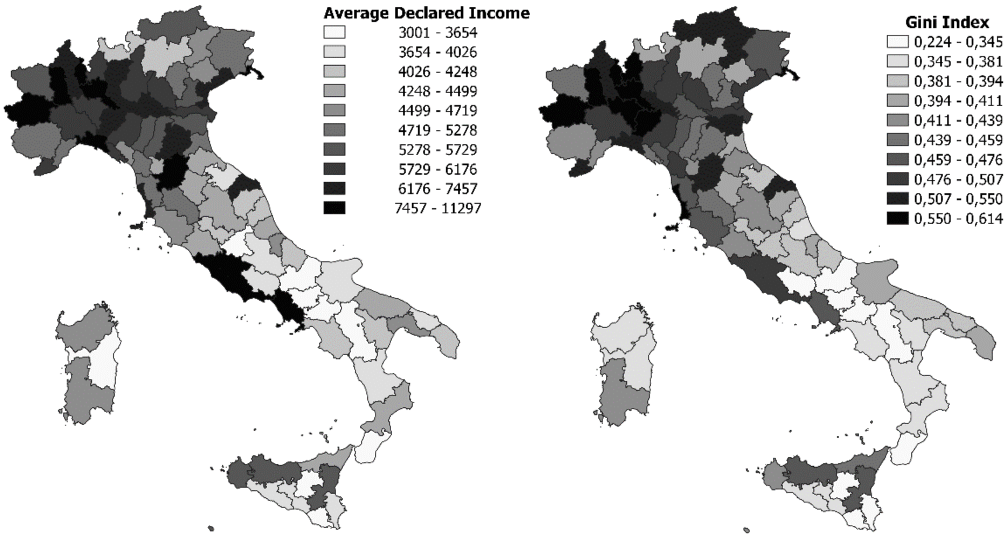
Source: elaborations on Orlandi (1933).

Then, Orlandi (1935) estimated Gini coefficient among taxpayers' declarations for 1929 at the provincial level (Figure 6). Across Italy, the concentration of business and self-employed incomes was highly correlated with mean incomes. The 1922 lists are also at the base of the recent estimates by Galletta and Giommoni (2022), who worked on a subset of provinces, scanned and made available online by *Google Books*. Through an ingenious identification strategy, based on the movement of

[3] Results are similar looking at single professions and activities.

troops leaving from war operations during WWI – considered as an exogenous transmission mechanism of the Spanish flu – they show that ‘the cities hit more severely by the epidemic display higher levels of income inequality five years later, as measured by the Gini index.’ This result, they add, depends on the increase in the ‘fraction of resources held by the top 20%’, while the bottom 20% showed lower incomes. The nature of the *Imposta di ricchezza mobile*, however, makes this interpretation partly problematic. Under this tax, incomes were reported by source: rents from land and buildings were separately taxed by the *Imposta fondiaria* and *Imposta sui fabbricati*, respectively, while *Imposta di 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, pp. 644-650). The *Imposta di ricchezza mobile* did not work as a *personal* income tax: all sources of incomes were declared separately, so the same taxpayers could file several income declarations (from capital and a profession; but also, if she ran different businesses, they would have resulted in multiple declarations of the same category). In practice, however, the vast majority of the declarations referred to a single individual; therefore, the data on the declaration by private taxpayers (as opposed to legal entities, that is, firms) can be used to proxy the average income of self-employed workers (Gómez-León and Gabbuti, 2022). On the other hand, declarations were not meant to be updated every year: in a period, such as the immediate aftermath of the Great War, characterised by monetary instability (and in which Italian fiscal administration was under particular stress), this could lead to systematic differences across municipalities, with important consequences for the interpretation of Galletta and Giommoni’s (2022) results.

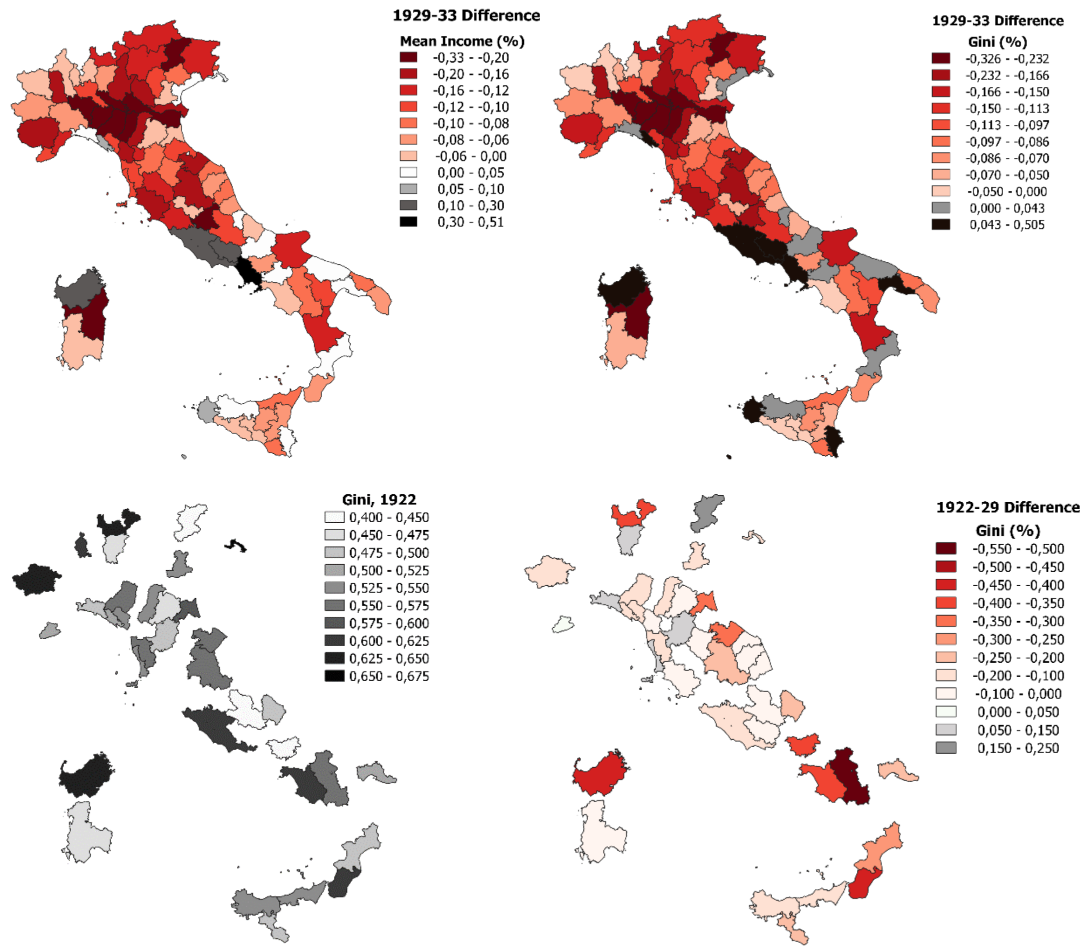
Figure 6 - Mean Business Income Declared across Italian Provinces, 1929



Source: elaboration on Orlandi (1935).

In any case, 1922 Ginis are remarkably high, not only when compared to 1894 coefficients, as in Figure 5, but also to later ones: taking advantage of the digitisation of the whole 1933 lists, as well as a subset of the 1922 ones (Gabbuti, 2021c), Figure 7 compares Orlandi's (1935) figures for 1929 with province-level estimates for these two years. The comparison is only partly consistent: it was not possible to separate business incomes (schedule B) from professional ones (schedule C) since the sources do not report this information. Keeping this caveat in mind, for the years of the Great Depression, average declarations decreased more markedly in richer provinces, starting from the North-West. On the other hand, they increased in some central and southern provinces (notably, Rome and Naples). A similar dynamic occurred to the distribution of these declarations: this could signal that the richest taxpayers of these categories were affected the most in the North-West, and improved their position in Rome, Naples and the like. On the other hand, inequality had fallen, sometimes consistently, in most provinces covered between 1922 and 1929: as shown in Appendix, Table A 1, this was also the case across sectors and activities.

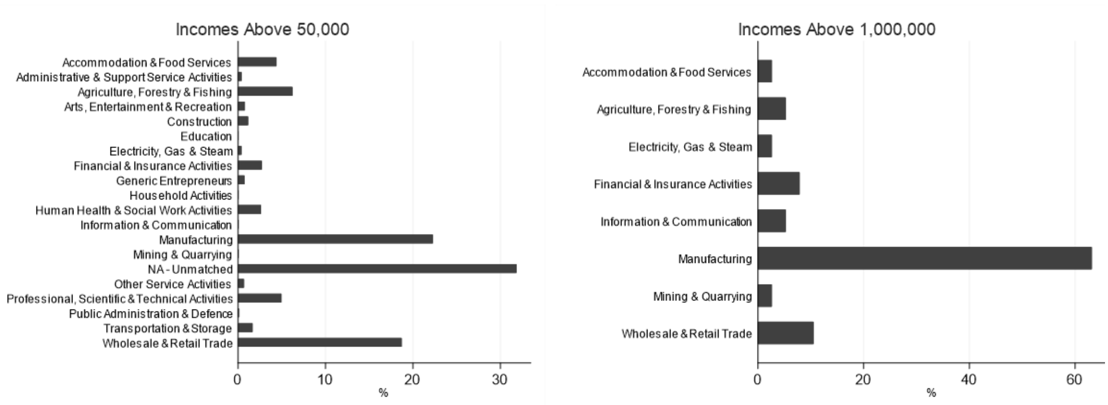
Figure 7 - Mean Business and Professional across Italian Provinces in the Interwar Period



Source: author's elaborations on Orlandi (1935, 1933) and Gabbuti (2021c).

Who were the 'top incomes' in these tax schedules? The digitisation of the entire 1933 lists (Gabbuti, 2021c) makes it possible to have a look at them, somehow in line with the analysis of British 'millionaires' recently carried on by Scott (2021). Adopting his same nominal threshold, I selected taxpayers declaring more than 50,000 lire: out of 1.3 million records, these amounted to, 10,129. Barely a fifth of these taxpayers earned more than 100,000, while only 126 and 38 more than 500,000 and 1,000,000 lire, respectively. The exercise allows us to fully appreciate how, Italian lists make possible to consider only a specific kind of 'top income' earner. As mentioned, incomes from capital and land are absent, leaving both the major industrial owners and landowners out of the picture. Among the 38 'millionaires', one cannot find Agnelli, Volpi, Conti, nor the vast majority of the 'great barons' listed by Rossi (1966, pp. 263-265). When they are included, it is for secondary businesses – as in the case of Volpi's partner, Vittorio Cini, involved in fishery, or Rinaldo Piaggio (whose firm, later producer of the *Vespa* motorbike, was at the time producing airplanes, trains and ships) for wood production. In fact, as clear from the classification by sector of activity (Figure 8), this source does not show the 'usual suspects'.

Figure 8 - Top Ricchezza Mobile Taxpayers by Sector of Activity, 1933



Source: elaborations on Gabbuti (2021c).

Rather than the big electricity, steel or car-making firms (those who pulled up the aggregate ROE in these years), they report the typewriter producer, Camillo Olivetti; the Milanese music producer, Ricordi; several representatives of an 'old' industry, such as textile, including Marzotto, who apparently kept running their firms as individual entrepreneurs; even an olive oil producer, Sasso, or the small investment banker, Sella. The activities are not, in fact, much different from those reported in a list of the 1,371 taxpayers declaring at least 10,000 lire for these same categories at the beginning of Italian industrialisation (Gabbuti, 2021c) – and are actually representative of the traditional exporting sectors that were hit the most by the revaluation of *Quota 90*.

Unfortunately, by means of this source it is also impossible to trace the fortunes of a peculiar group of 'new rich,' such as the Fascist 'new men' who managed to take advantage of their power. As documented by works such as Volpini and Canali (2019), combining anecdotical evidence with the materials collected by the official commissions set up after WWII to investigate on the illicit fortunes of Fascist leaders, most of these incomes were not legally acquired. Still, the selected group of top taxpayers included Benito Mussolini himself, declaring 100,000 lire as a result of his 'collaborations to newspapers and copyright''.

As shown in Table 1, these top declarations were heavily concentrated in the North-West – Lombardy alone had almost 35% of the millionaires, while none of them was in Naples. In this case the situation was similar to the one in 1889, possibly with the exception of Liguria, that at the times accounted a greater part of the North-Western share, with Lombardy only marginally above the share of Piedmont. Interestingly, 36.84% of them were not based in the provincial capital (a condition shared by 60% of the sample, but by only 26.5% of those above 50,000 lire).[4] Less surprisingly, women (15% of the total in 1933) are less and less represented when climbing the pyramid: they made 4.4% of the declarations above 50,000 and none of the millionaires (the richest being 'sisters Gori' of Turin, for their tailor's shops), compared to 8-9% among British ones (Scott, 2021, p. 7). It could be tempting to contrast the lower chances of Italian women to reach the highest ladders of the social pyramid to the relatively low gender pay gap obtained by Gómez-León and Gabbuti (2022) for Italy, in comparison with those estimated for Britain by Gómez-León and de Jong (2019). For similar comparisons, however, it is important to consider that these taxpayer lists exclude rentiers – whose capital income would have been registered under schedule 'A' – and thus several women who inherited, in light of a 'legal framework that acknowledged married women's right to property and an inheritance regime that sanctioned equality among children' (at least within some limits), as stressed by Licini (2011, p. 47) in her study of 19th century Milanese probate records, almost half of which were filed by women.

[4] Curiously, the frequency was almost identical (34.2%) among the 1,372 'top' taxpayers listed in 1889.

Table 1 - The Distribution of Ricchezza Mobile *'Top Taxpayer', 1933*

Region	Area	Declarations above 50,000	%	Declarations above 1,000,000	%
Latium	Centre	825	8.14	4	10.53
Tuscany	Centre	718	7.09	4	10.53
Marches	Centre	97	0.96	-	-
Umbria	Centre	48	0.47	-	-
Sardinia	Islands	63	0.62	1	2.63
Sicily	Islands	359	3.54	3	7.89
Friuli Venezia Giulia	N-East	259	2.56	1	2.63
Veneto	N-East	588	5.81	3	7.89
Emilia Romagna	N-East	609	6.01	-	-
Trentino Alto Adige	N-East	103	1.02	-	-
Valle d'Aosta	N-West	29	0.29	1	2.63
Liguria	N-West	612	6.04	2	5.26
Piedmont	N-West	1,769	17.46	4	10.53
Lombardy	N-West	2,708	26.74	13	34.21
Calabria	South	74	0.73	2	5.26
Abruzzo	South	46	0.45	-	-
Lucania	South	14	0.14	-	-
Campania	South	993	9.8	-	-
Molise	South	18	0.18	-	-
Apulia	South	176	1.74	-	-
Italy		10,129	100	38	100

Source: elaborations on Gabbuti (2021c).

Overall, therefore, the records from the *Imposta di ricchezza mobile* offer an insightful, extremely granular perspective on the interplay between personal and regional inequality – that accelerated precisely between 1931 and 1938, according to Felice (2011, p. 947), as a consequence of 'the demographic, agrarian, anti-migratory, and autarkic policies' of the regime. At the same time, they gave us an interesting glance on the incomes of the self-employed, professionals, and relatively 'small' entrepreneurs, working in sectors that, if not less advanced, were less capital intensive. In this sense, the maps of Figure 7 seem to signal a very differential impact of the Great Depression on this group. As far as the joint stock companies discussed in section 2 were more present in the North-Western part of the country, they must have increased their relative share, in the light of the sharp contraction of the average declaration of their smaller competitors, as well as the reduction in the Gini.

However, these categories of the *Imposta di ricchezza mobile* do not seem sufficient to track the incomes of the richest Italians during the interwar period. The tabulations of personal incomes, that I was able assemble not only from official sources, but from secondary publications, such as academic papers and parliamentary debates, are of greater interest. Most of them refer to the *Imposta complementare sui redditi*, introduced by De Stefani in 1923, and in force from 1925. A general surtax on total incomes above 6,000 lire, to which a maximum of 3,000 lire of tax credits could be applied, the *Imposta complementare* applied to 'fiscal families', including the spouses, and under-age, dependent sons. Total income was assessed summing all incomes declared for the *Imposta di ricchezza mobile*, *Imposta fondiaria* and other income taxes, but also, at least in theory, adding other incomes, exempted for any reason. Some categories received special treatment: notably, public employees paid a fixed sur-tax; the royal family, foreign diplomats, and, from 1929, Vatican employees were exempted; in the late 1930s, the aforementioned demographic policies led to the introduction of another surtax on 'bachelors', as well as to exemptions of 'large families' (that, however, tended to be among the poorest) (Rèpaci, 1937-40, p. 80). As in the case of Germany (Dell, 2007, p. 369), incomes were 'net' of expenses and other taxes. Alvaredo and Pisano (2010) reckoned that this tax provided the information needed to estimate top incomes. While official publications were issued only for 1930, 1940, and 1952, I was able to recover figures for 1925, 1936, 1939, 1941, and 1943 from secondary sources. Tabulations are reported in nine income classes[5] – unfortunately, without any detail on income sources, gender, or regional decompositions. Moreover, Meda (1920, p. 65) reported another tabulation of personal incomes for the year 1914, when Finance Minister Rava ordered his staff to simulate the effects of the introduction of a general income tax, by 'summing up' all the incomes declared by the same individual. All together, these tabulations allow me to try to estimate a series of top income shares between 1914 and 1952: this will be the object of the next section.

[5] The only exception is Boldrini (1925), who reported unpublished figures from the Finance Ministry, after rearranging tabulation brackets (expressed in US$ 1920) for international comparisons. I was able to replicate his procedure using the exchange rates and CPI available at times (BdI, 1926, p. 25; League of Nations, 1927, p. 174).

4. Top Income Shares, 1914-1952

To estimate the share of incomes accrued by the top percentiles, we need total figures for population and disposable income totals, consistent with the incomes and taxpayers reported in the tabulations. Regarding the first point, the ideal reference would be the total, potential 'tax units,' made not only by actual taxpayers, but by all those of 'fiscal families' – the tax unit of the *Imposta complementare* – that would have had to pay taxes if their incomes had been above the relevant threshold. The obvious starting point to proxy these fiscal families are population censuses, which provide us with totals for both households and population in 1911, 1921, 1931, 1936 and 1951. Fiscal families, however, were defined by the law very differently from the census household: as summarised by Rèpaci (1937-40, p. 80), 'the family definition adopted by the law is the simplest: spouses and non-emancipated minors'. All adult children, other household members, but also wives who had obtained 'legal separation', and thus 'full control of her incomes' (*piena disponibilità*), were taxed separately, 'even if living and working together', or 'sharing consumption'.[6] This means that both adult population and households are imperfect totals: they are upwardly and downwardly biased, respectively, since fiscal families are less than legal adults but more than 'actual' families. The bias in the population total, in turn, translates into a bias in the top income share estimates of the same sign: in the case of households, adopting them as population total would make the actual taxpayers of the *Imposta complementare* a larger share of all families, resulting in lower top income shares. It is therefore important to choose the most appropriate total, in order to minimise the distortion in the levels of the series.[7] All in all, the adult population seems the most consistent total, given the relatively low probability of having two working spouses, declaring taxable incomes – and this is especially

[6] Legal age in interwar Italy was set as 21. By 'legal separation' (*separazione legale*), the law should refer not only to judicial, but also consensual separations – potentially, for financial reasons. Note that under the Italian law, wives remained legal owners of their own assets (*separazione dei beni*), even though the husband was in 'control' of the resulting incomes.

[7] In fact, the two totals result in the same temporal dynamics.

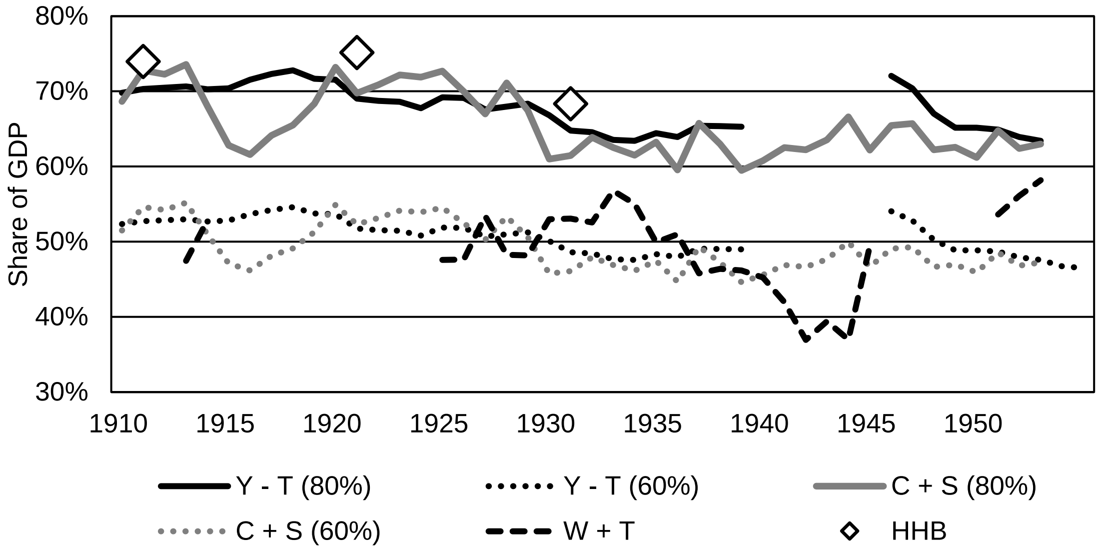
true among those taxpayers rich enough to file a report for the *Imposta complementare*.[8] A comparison between the elaborations reported in Meda (1920), based on individuals, and the first tabulation available for the *Imposta complementare* (Boldrini, 1925) supports the argument, given that, once considering the 1914 value of the threshold applied in 1925, the number of taxpayers was comparable (around 1 million). The choice has also the advantage of increasing consistency with the series available from 1974 for Italy since it is the same adopted by Alvaredo and Pisano (2010).

More alternatives are available for estimating disposable income. Two different theoretical approaches exist: first, one could start from the national accounts, removing incomes not included in the tax base, to make them more consistent. Alternatively, one could start from the incomes reported by the fiscal sources, and then add the missing incomes – also in this case, in line with the procedure adopted for provincial and city-level estimates of top wealth shares, when we lacked a reliable external total. According to Atkinson (2005, p. 331), the first methodology has a 'firmer conceptual base', but the choice could be not that obvious when dealing with historical sources, especially in turbulent periods such as the interwar decades, and in context in which personal income taxes had just been introduced and covered a limited share of overall incomes.[9] Figure 9 shows different, alternative series for disposable income. First, the 'Y–- T (80%)' series is obtained subtracting total fiscal revenues from GDP and, as customary in the literature on top incomes, scaling down the resulting figure by 20%, to account for tax evasion, exemptions, and other differences between national accounts and household disposable income (Atkinson and Piketty, 2007, pp. 535-536) – in fact, replicating the procedure for the 1970s results in a very similar total to the one used by Alvaredo and Pisano (2010). An alternative series, still based on the first approach, is obtained by summing private consumption and savings, also scaled down by the same proportion – 'C + S (80%)'. This second series show higher volatility, and a sizeable divergence during the Great War, when

[8] As mentioned in section 3, women taxpayers were only 15% of the 1933 lists for *the Imposta di ricchezza mobile*, categories B and C, but their share declined among the richest taxpayer; moreover, an unknown share of these women were unmarried, widowed, or in 'full control' of her incomes.
[9] See for instance the South African case discussed by Alvaredo and Atkinson (2022).

consumption followed the abrupt decline in the labour share (Gabbuti, 2021a, p. 367-368), but is reassuringly similar, in level, to the previous one. Moreover, both come close to the household budgets-based estimates by Amendola and Vecchi (2017) for 1911, 1921 and 1931.

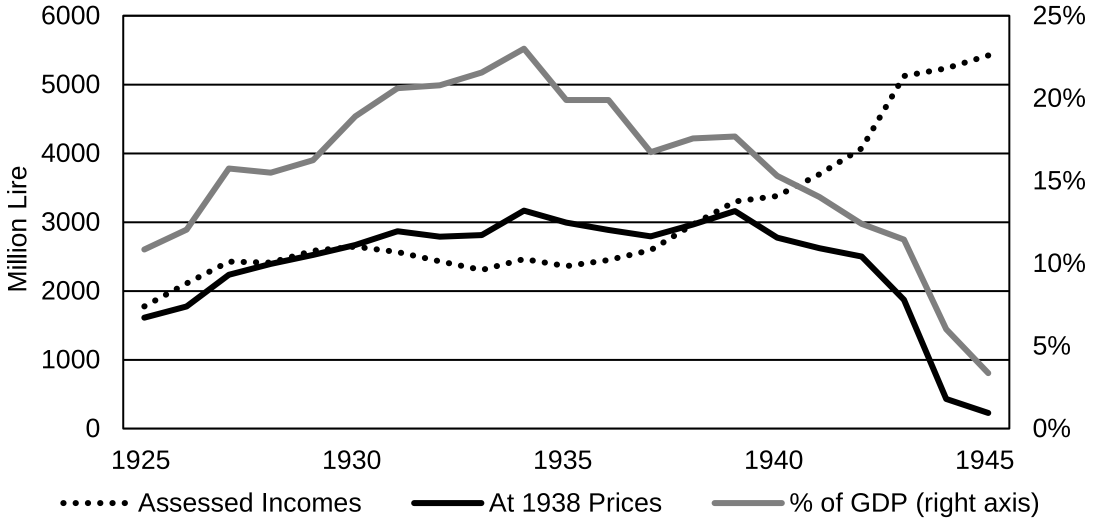
Figure 9 - Total Disposable Income: Alternative Sources



Sources: Y-T is GDP (from Baffigi 2015) minus total fiscal revenues (from Brosio and Marchese, 1982); C + S sums private consumption (Baffigi 2015) and savings, obtained by multiplying rates from Modigliani and Jappelli (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 in the private sector from Gabbuti (2021a), and total incomes taxed for direct income taxation (from MEF, 1926, 1932, 1951a, 1951b), after subtracting C-type incomes declared for the *Imposta di ricchezza mobile*.

On the other hand, following the second approach leads to a quite different result. The series 'W + T' is obtained by adding total incomes assessed for direct income taxation to total labour remuneration in the private sector (the numerator of the labour share in Gabbuti, 2021), in order to account for non-taxed labour incomes. To avoid double-counting, given that the labour share is computed attributing the average wage of their sector to the self-employed workers, I exclude public employees' wages from labour remuneration, as well as 'labour' incomes declared for the schedule C of the *Imposta di ricchezza mobile*. Still, apart for the early 1930s, when both taxes and labour remuneration increased as a share of GDP, the level of the third series is much lower. In terms of GDP, 'W + T' shows in fact wide fluctuations, making it not a particularly convenient income total compared to the two built starting from national accounts, but it brings to the light two issues. First, the incomes assessed by tax authorities seem to have dramatically declined in the late-1930s and early-1940s, as a share of GDP. 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. This is not reassuring on the reliability of fiscal sources in the later period. Second, the low level of ‘W + T’ suggests that the appropriate total for top incomes assessed from fiscal sources should be lower than the two, alternative series: possibly as a consequence of the ‘net’ concept adopted when reporting incomes for the *Imposta complementare*, the incomes assessed from its tax base are really much lower than all the proxies of ‘disposable income.’ As shown by Figure 9, the arbitrary 60% of the ‘Y – T’ and ‘C + S’ series bring them somehow in line with the levels of this third alternative, at a level that is around half of the GDP estimated by Baffigi (2015). Given the impossibility of estimating ‘Y – T’ for the whole period, in the following I will adopt a three-years moving average of 60% of the consumption-plus-savings total, ‘C + S (60%)’, and as a robustness check, the same percentage of the ‘Y–- T’ total.

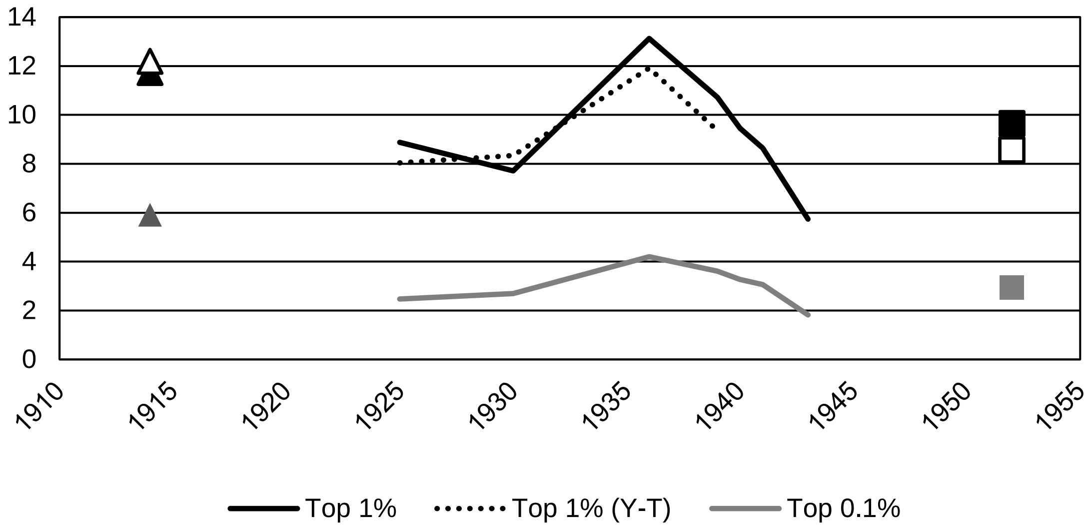
Figure 10 - Income Direct Taxation Base, 1925-1945



Source: elaborations on incomes assessed for *Imposta di ricchezza mobile*, *Imposta fondiaria* and *Imposta sugli immobili* (MEF, 1926, 1932, 1951a), Istat (2011) and Baffigi (2015).

The last step for the estimation of top income share is the interpolation of the data. Here, I follow the mean split histogram (Atkinson, 2005): the resulting top 1 and top 0.1% series are reported in Figure 11, but alternative estimates based on the Pareto interpolation are substantially similar. The limited number of taxpayers filing a declaration makes it impossible to estimate the share of the top decile, as in the recent estimates for South African by Alvaredo and Atkinson (2022), but other shares (such as the 0.5 and 0.05) show the very same trend of the top 0.1 series. In the graph, the different sources from which the estimates come from are signalled by using different markers: in fact, it seems inappropriate to compare the 1914 tabulation, not affected by exemptions, net income definitions, tax detractions (and not resulting from a real progressive tax, and the related incentives for taxpayers to underestimate their incomes), to the 'real' fiscal tabulations of 1925-1943.

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

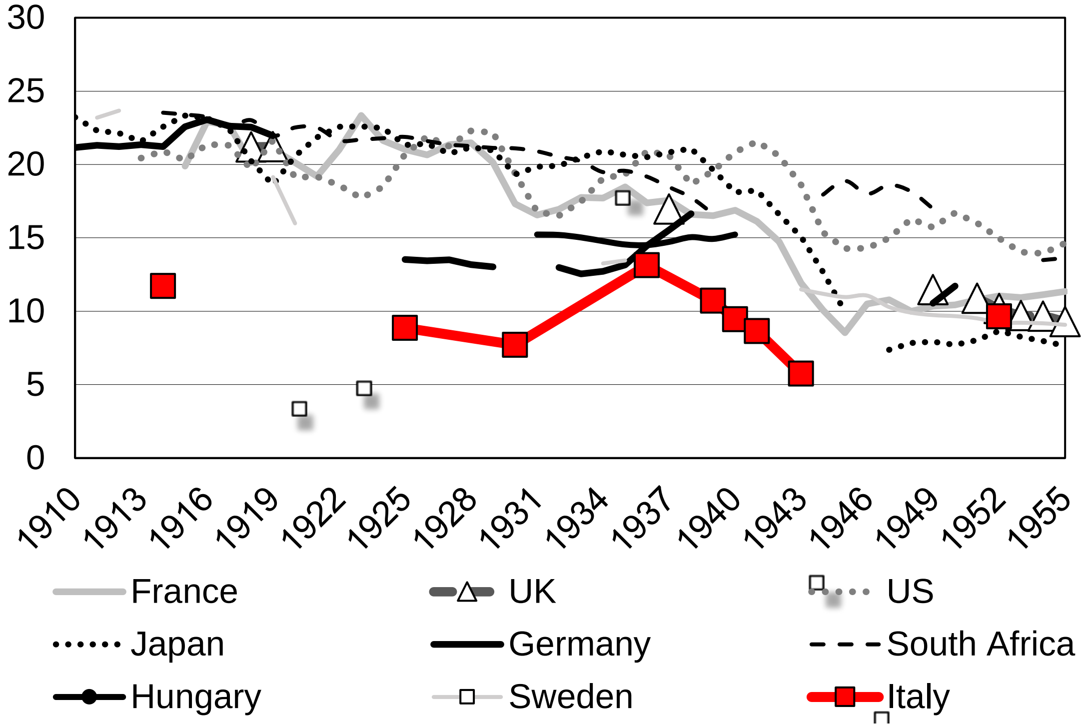


Sources: tabulations from Boldrini (1925), Borgatta (1946), Meda (1920), MEF (1932, 1951a, 1952), Rèpaci (1937), Ricci (1937), Steve (1947); adult population at census years from Istat (2011), linearly interpolated; total income: Y-T, or when not specified, C+S, both at 60%, as defined in Figure 9; data interpolated using the mean split histogram methodology as presented in Atkinson (2005).

For Italy, there is no particular reason to believe the Great War had an 'apocalyptic' effect, in terms of wealth and top income destruction, contrary to the British case discussed by Scott (2021, p. 8), or the losses incurred by French investors due to the repudiation of debt by the Soviet government; on the contrary, we have seen how both capital shares and the imperfect fiscal evidence on extra-profits (that, according to contemporaries such as Borgatta, 1922, traced only part of the increased earnings of the rich) would support a contrary interpretation, in line with the German case (Bartels, 2019). If the decline in top capital incomes drove the 'great levelling,' for Italy this arguably happened in mid-1940s, in the light of the sizeable increase in the labour share (Gabbuti, 2021a; Gómez-León and Gabbuti, 2022). As expected, different income totals can change the results – but the impact on the trend is limited, as 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 for the top 0.1% (and 0.5%) are, on the contrary, stable with both totals. This is possibly the most appropriate indicator, to capture 'top' income earners in Italy, as can be seen from the relatively low thresholds defining them (Table 2); this group, in fact, would include at least the 'rich' discussed in the previous section, together with those declaring other types of income. Top 0.1% thresholds are relatively stable in constant terms, at least until 1940, ensuring greater consistency, while the trend shown in Figure 11 is robust to all the alternatives in denominators, population totals, and interpolation methods discussed in this section.

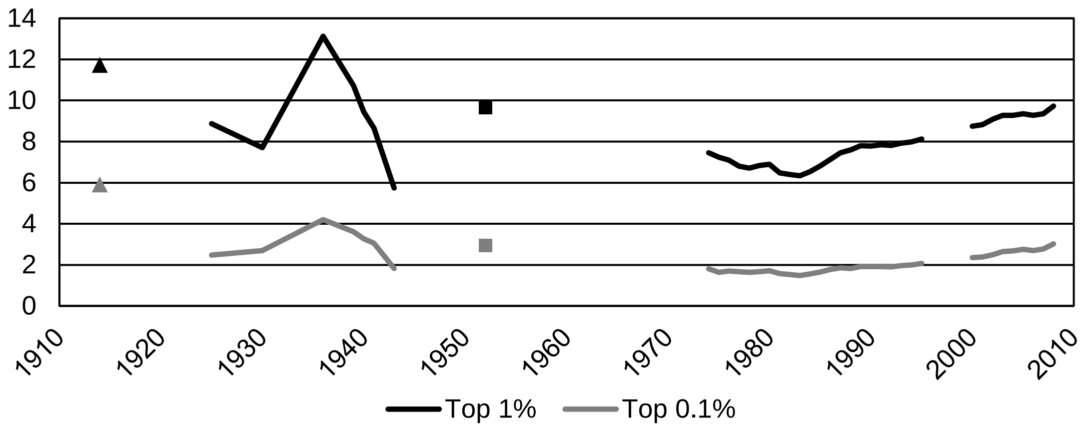
Despite the choices of both population and disposable income totals were, if anything, driving up the estimates, Italian top income shares are relatively low by international standards (Figure 13 and A 1). The comparison reveals the peculiar dynamics of Italian top shares in 1925-1936: both top 1 and 0.1% series peak in 1936 - after the Great Depression, which was driving down capital and top income shares in most of the world. The contemporary fall in the capital share (Figure 3) reinforces the idea of growing concentration within capital. 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.

Figure 12 – The Italian Top Percentile in International Perspective, 1910-1945



Sources: Italy as in Figure 11 (C+S); other countries World Inequality Database (WID.world: data retrieved on October 13th, 2022). Top 0.1% are reported in Figure A 1.

Figure 13 - Italian Top Incomes in the Long Run



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

As shown in Figure 10, in this period we observe a de-linking between the economy and taxed incomes, arguably a combination of inflation (as we can see from the falling real value of the thresholds of Table 2, almost halved between 1939 and 1934) and a more 'tolerant' approach by tax authorities (Manestra, 2010, p. 33). Contrary to other countries, in Italy the fall seems only temporary: in 1952, at the beginning of the Italian Economic Miracle, top income shares were back to the late-

1930s level (and the same is true for the thresholds in Table 2). Despite the low levels in international comparisons, 1930s top income shares represent a secular peak, when confronted with later figures by Alvaredo and Pisano (2010) (Figure 12). Also in this case, differences in the underlying source could bias the comparison; in any case, as suggested by dynamic social tables (Gómez-León and Gabbuti, 2022), top income shares questions the long-run, uninterrupted decline of income inequality suggested by Amendola and Vecchi (2017), rather indicating (a period of fast growth and structural change) but also during the Great Depression.

Table 2 - Top Percentiles Income Thresholds

Year	**Threshold (current lire)**			**Threshold (1938 lire)**			**GDP pc.**
	Top 1	**Top 0.5**	**Top 0.1**	**Top 1**	**Top 0.5**	**Top 0.1**	**(1938 lire)**
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.

5. Taxing the Rich in Fascist Italy

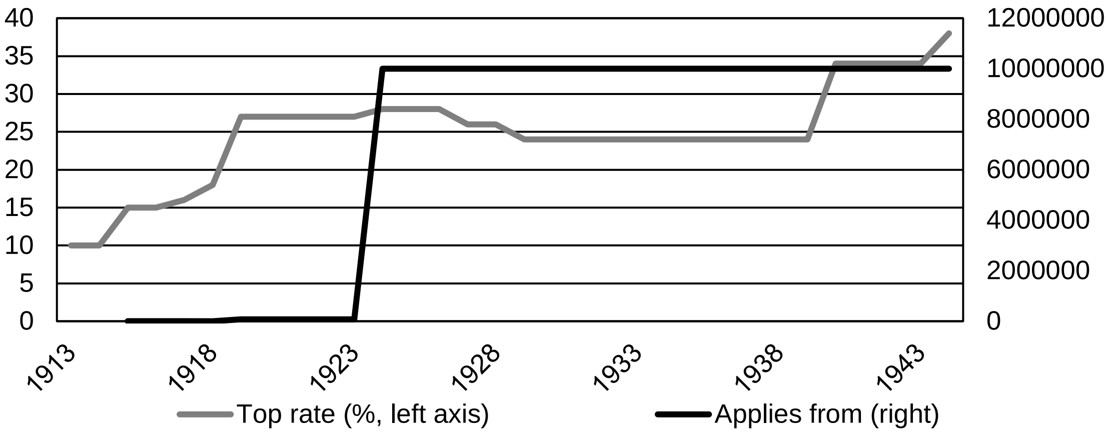
Are the top income shares just presented so low because of tax evasion? Was it so widespread to affect the trend? In this section I try to address these questions, by reviewing the available literature on tax enforcement during the period, and the little quantitative evidence available. The view that Italian incomes were relatively not concentrated was shared by most 'experts' of the times (and 'proven' empirically by Boldrini, 1925): but while the level of top income shares is in line with those estimated (at the household level) by Amendola and Vecchi (2017), this result is strongly at odds with comparatively high level of capital shares.[10] Capital incomes are actually the major source of concern for tax evasion at the top. Immediately after the March on Rome, Fascists abolished the certification of financial assets, making virtually impossible to link them to individual taxpayers (Manestra, 2010,

[10] Indeed, after including capital incomes, Gómez-León and Gabbuti (2022) find relatively high levels of inequality in early 20th-century Italy.

p. 28). Out of the 18 billion lire of total tax evasion estimated by Deni (1935, p. 692), no less than 8 billion were attributed to the dividends, and interests on public bonds, that escaped the *Imposta complementare*. For Borgatta (1946, p. 331), evasion was 'almost total' on assets exempted from the pre-existing taxes on which the *Imposta complementare* was based.

The *Imposta complementare*, while introducing progressive taxation on personal incomes, represented indeed a favourable development for the richest Italian. The underlying, flat rates of the *Imposta di ricchezza mobile* had been lowered, and the previous progressive surtax (applied on incomes above 10,000, and also on firms and legal entities: Sarti, 1971, pp. 70-71) had been abolished. The progressivity of the new tax was extremely low, even for the times: the top rate, an extra 10% for incomes above 1,000,000 lire, brough the top marginal rate to 28% – compared to those between 52 and 60% applied in France, Germany, US and the UK (Genovese et al., 2016). While this was a marginal increase of the top tax rate, it now applied only to incomes above one million (Figure 14). De Stefani himself presented the reform as a 'tax break,' especially when compared to the more progressive alternatives discussed before (G.U., 1924, p. 455). Most importantly, compared to the proposal by Meda (1920) – the latest of several fiscal reform projects advanced in the Liberal period (Favilli, 2009) – De Stefani avoided any 'modernisation of direct fiscal imposition' (Frascani, 1988, pp. 162-163). Instead of introducing more effective assessment procedures or tackling evasion at the top (starting from capital incomes), the Minister simply tried to increase its revenues, by expanding the tax base. While abolishing inheritance tax, De Stefani extended the *Imposta di ricchezza mobile* to industrial workers (who, however, were not included under the 'C' schedule), and imposed new levies on the incomes of tenants, sharecroppers and small owners (Gabbuti, 2021b). On the other hand, the rise of Fascism prevented the application of more radical, progressive projects, extensively debated, in Italy as in the rest of Europe, in the after-WWI years (Gabbuti and Settis, forthcoming).

Figure 14 – Top Marginal Tax Rate on Income in Italy, 1913-1944



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

The limitations of the *Imposta complementare* can clearly contribute to explain the low level of the top income shares: but what if evasion also affected the trends of the series just presented? These issues are not systematically addressed by the top income literature. For instance, Alvaredo and Pisano (2010, pp. 631-640), after providing sensitivity checks for the levels, simply assume that 'tax evasion has not changed significantly over the period'. The historian of Italian fascism cannot make a similar assumption: while authors such as Maione (1979, p. 75) stress how fiscal agencies became 'more tolerant' after 1922, De Stefani himself, regarded by contemporaries as 'honest and incorruptible', 'declared war' on tax evaders (Manestra, 2010, pp. 28-29). Contemporaries had divided opinions on his achievements: Orlandi (1934, p. 47) and Retti-Marsani (1937a, p. 36) expressed their confidence in the improved quality of the fiscal statistics adopted in their calculations, but others were less pleased, 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' (Fausto, 1993, p. 120). Later, Senator Ricci (1937, p. 23) stressed that the richest earners were not adequately captured by the *Imposta complementare*. In theory, the introduction of the 'presumptive' method of income assessment in 1932 had made it possible for tax authorities to 'deduce' a more appropriate income level from 'evidence', such as luxury consumption, increasing the ability to track higher incomes. In practice, however, this 'ma[de] it possible to assault small taxpayers, but [wa]s absolutely useless with respect to major ones' (a feature Ricci attributed to other fiscal reforms of the 1930s), given that observable consumption did not greatly change above certain thresholds. For Ricci (1937, p. 22), the *Imposta complementare* was not a 'mountaineer' (*alpinista*), as it was unable to reach the heights of top earners. Later literature seems to support his arguments: Maione (1979, pp. 175-179) discussed at length how, in particular, as a result of the reforms of the late-1930s – including the introduction of a 'Fiscal General Register' (1936)– resulted in further unfairness between the richest and the poorest taxpayers. While the 'General Register' was continuously delayed until 1940, declarations were less and less updated. According to Frascani (1978, p. 1067), the interwar period saw a 'growing gulf between fiscal data and the underlying economic reality', a view shared by fiscal authorities themselves (MEF, 1950). For Manestra (2010, p. 27), De Stefani's reforms decreased the efficiency of the administration, by reducing the number of employees and promoting bureaucratization. While some of these claims were arguably exaggerated (Gabbuti, 2021c), a measure such the presumptive evaluation of tax declarations could not overcome the abolition of the certification of financial asset, that was the very starting point of any attempt of including capital income in progressive taxation. That was the 'original sin' of the *Imposta complementare*, and of any attempt of taxing capital and higher incomes: not by chance, in the vivid language of Rossi (1966), its abolition was one of the very first 'promissory note' paid back by Fascists after the March on Rome.

To try to address quantitatively these views, 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* in the period covered by the top income shares. For both 'entrepreneurs' and professionals, the period saw an increase in both the number of declarations, and average income, signalling the consistent enlargement of the tax base. However, the new evidence assembled on the *Imposta complementare* is way less positive. Even leaving apart the 'preliminary' 1925 figures, 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* did not qualify to pay (or evaded) the progressive surtax, in line with the enlargement of the tax base with lower incomes.[11] According to Orlandi (1934), most of the new taxpayers were below, or close to, the mean. Despite the potential inconsistencies between 1922 and 1929 figures, Orlandi's computations, reported in Table A 1, showed how 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 should not explain the rising trend between 1925 and 1936. If anything, tax evasion by top taxpayers, and especially capital income earners, could have increased over the period: if we follow Bengtsson and Waldenström (2018), this could explain the puzzling trend of top income shares after 1936, in contrast with the increase in capital shares, profits and ROE (Figure 3).

***Table 3 – Taxpayers and Assessed Incomes:* Ricchezza Mobile *and* Complementare**

Year	Mixed Incomes		Professions		*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	1,014,917	15,499,643,000	15,272	4.30%
1928	969,582	5,763	131,177	5,600	734,733	-	-	3.00%
1930	1,019,230	6,559	152,415	6,423	861,411	11,104,414,924	12,891	3.50%
1936	1,080,605	5,434	181,133	5,571	954,200	11,986,000,000	12,561	3.60%
1939	1,155,394	7,339	215,673	5,564	1,232,000	16,212,700,000	13,160	4.50%
1940	1,148,829	7,176	193,460	6,500	1,228,365	16,180,000,000	13,172	4.40%

Sources: author's elaboration on Manestra (2010), Baffigi (2015); MEF (1926, 1932, 1951a), Istat (2011), and Figure 11.

6. Conclusions

This paper discussed the available evidence on capital and top incomes during the Fascist decades. First, I introduced the issue in Section 2, by discussing trends in investments, capital shares and similar 'macro' indicators, and of concentration within industries. Overall, the Fascist period represented one of increasing concentration of firms, but also great stability in investment and profit rates and capital shares, suggesting that even in a period of increasing poverty and malnutrition, the regime managed to foster capital accumulation and investment. Section 3 discussed the available fiscal evidence on the incomes of top taxpayers, uncovering interesting, overlooked evidence on WWI extra profits, province and activity level Ginis among self-employed and professionals, as well as the

[11] This increase of lower incomes would be even more evident if we could include dependent workers, whose incomes, from 1933, had to be declared by the employers, reducing the possibility of evasion. As mentioned, however, these were reported under a different schedule.

‘top’ taxpayers in these categories in 1933. More interestingly, a compilation of tabulations of personal incomes, mostly reported by secondary sources, allowed me to estimate a first historical series of top income shares, in particular between 1925 and 1952. Despite the limitations of the sources, the resulting series are not only the first historical evidence on the incomes of the richest Italians, allowing to place Italy within the global perspective on inequality allowed by this indicator, but also, the first direct evidence on personal income concentration in the late 1930s. Moreover, as discussed in the introduction, top incomes allow us a new perspective on the relationship between Fascism and economic elites.

In international comparisons, Italian top income shares are low: this does not seem due to evasion only, but to the very design of the tax. The declarations reported in the tabulations clearly missed an important part of capital incomes, impossible to link to individual taxpayers for uncertified assets, but also labour incomes exempted from progressivity, such as those of public employees, including the high bureaucracy. On the other hand, fiscal evidence misses by definition any kind of illicit revenues: this was allegedly the case of several fascist leaders, involved in cases of corruption or misappropriation (Volpini and Canali, 2019); from 1930s, new ‘opportunities’ were opened for public officials by the problematic introduction and management of trade controls (Toniolo 1980, p. 286). In the late 1930s, evasion seemed to increase, especially at the top: the update of taxpayers’ incomes, in a period of sustained inflation, does not seem to have been highly effective, and could explain the decline in the top income shares.

From the early phases of their power, however, Fascists’ fiscal reforms lowered the rich tax burden. Fiscal progressivity, introduced at the same time when inheritance tax was abolished, was mild in comparison with alternative proposals and the rates applied in the leading European economies. This attitude was confirmed by the next Finance Minister, the industrialist Volpi, who abolished the 15% tax on bearer securities incomes (La Francesca, 1972, pp. 14-17). From 1936, when Italy had already entered a decade of warfare, the Fascist government partly changed its attitude, introducing a number of new levies – the ‘forced’ subscription of loans to real estate owners; an extraordinary, progressive tax on the dividends distributed by joint stock companies; and in 1939-40, a new wealth tax – even though only the first was really effective (Maione, 1979); the progressive tax, in particular, was aimed at preventing the distribution of profits, promoting their reinvestment in the firms, and the absence of levies on these profits was criticised even by Fascist economists (Gualerni, 1976, pp. 134-5). In practice, firms avoided the levy also by revaluing their plants, or distributing new shares for free to shareholders, thus lowering the ratio between profits and capital (La Francesca, 1972, p. 88). While shifting the tax burden towards agriculture (Frascani, 1988), the government expanded the number of taxpayers, rather than making the richest of them pay their fair share. If anything, the effect of contrast to tax evasion was to increase the fiscal burden on small taxpayers – part of those middle classes to which Fascists tried to appeal from the first months of their government (Gabbuti, 2021b).

Overall, the evidence presented in this paper suggests that, in a period characterised by dramatic, exogenous shocks, such as the interwar decades capital accumulation in Italy was relatively unaffected. At the same time, industrial concentration increased, and the richest taxpayers seem to have improved their relative positions – in expansionary periods, such as the early 1920s, as well as during the Great Depression. While confirming that the Fascist period represented a reversal within the long-run reduction of income inequality in Italy, this paper argued that this is consistent with the regressive nature of Fascist economic policies. The state of the sources, as well as the nature of the issue, do not allow any causal interpretation of these results; in the light of the role attributed to industrial and landed elites in the origins of the Fascist dictatorship, it is still of some interest to assess the extent to which these groups were better off in a period in which the majority of Italians saw sizeable contractions in important indicators of wellbeing.

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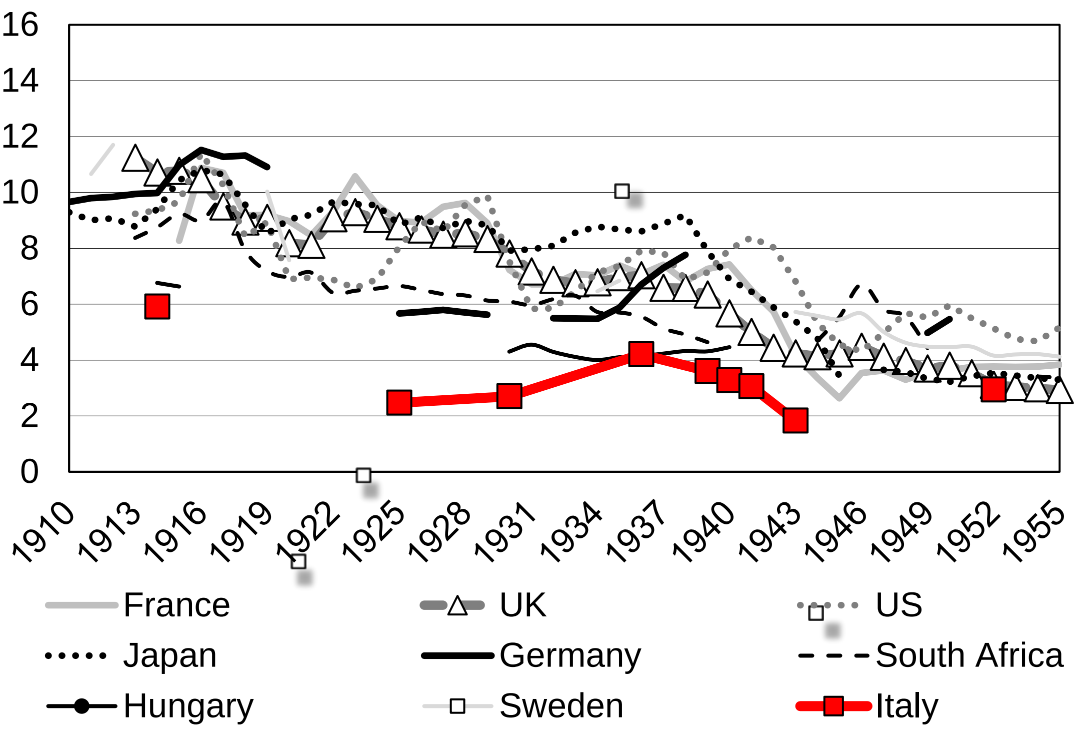
Appendix

Figure A 1 - Top 0.1% Shares in International Perspectives, 1910-1945



Source: see Figure 12

Table A 1 - Concentration Within Taxed Incomes, 1922-1929

Activities	1922			1929			Differences 1929 - 1922		
	Taxpayers	Average Income	Gini	Taxpayers	Average Income	Gini	#	Average Income	Gini
Textile	9,600	16,999	77.88	9,033	24,952	71.55	-567	7,953	-6.33
Drugs	16,669	5,573	50.87	18,325	10,131	47.48	1,656	4,558	-3.39
Chemicals	7,623	9,089	70.56	10,865	12,980	65.22	3,242	3,891	-5.34
Apparel	67,349	4,835	61.98	94,656	6,698	52.93	27,307	1,863	-9.05
Small Industries	14,122	3,685	54.36	23,584	5,190	44.84	9,462	1,505	-9.52
Artistic & Mechanical Ind.	15,988	5,718	57.68	15,502	9,548	55.18	-486	3,830	-2.5
Credit & Business	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**		**134265**	**2,816**	
Health Professions	18,414	4,692	47.66	26,877	7,721	45.79	8,463	3,029	-1.87
Intermediation Professions	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: author's elaboration on Orlandi (1933, 1934).