

Friends of the ANU Centre for Economic History,

The academic year down under is in full swing, and the Centre had the pleasure of welcoming a number of distinguished international visitors last month for a conference on historical and modern inequality. These included Anna Missiaia (Lund), Richard Burkhauser (Cornell), Jeff Williamson (Wisconsin), and Andrew Leigh (Federal Parliament). As part of the conference, Leandro Prados (Carlos III) delivered the Goldsmith public lecture. A summary of the conference as well as a number of other news and announcements are described below. As always, thanks for your support of economic history and the Centre.

John Tang, CEH Director

### Conference Summary: *Inequality and Living Standard, Past and Present*



*Jeff Williamson contemplates 19th century Australia*

The CEH ran a two day conference on 16-17 March, bringing together economists and economic historians to explore and debate trends in income inequality.

The first day focused on the very long run. Anna Missiaia (Lund) provided new evidence for Sweden and Finland showing that wealth inequality in Nordic countries increased to 1850 but then declined. One explanation for falling inequality was that the development of the lumber and paper industries favoured small land holders. Participants asked about wealth-holding among women and about the wider geopolitical influences on income shares. Leandro Prados (Carlos III, Madrid) took up the theme of rising

inequality between countries after 1870. He showed that the trend looks very different when using the human development index (as compared with GDP per capita) because of the earlier convergence in health and education, especially from 1913 to 1950. There followed a wide ranging discussion of the timing and determinants of the epidemiological transition.

Turning to the more recent past, Peter Egger asked whether globalisation induced more redistributive policies to compensate the losers, or less redistribution due to tax competition at the top end. For a wide range of countries he found that globalisation had increased the tax burden on the rich but this effect reversed after the mid-1990s. Consistent with this, Peter Whiteford (ANU) showed that, while Australia's tax-benefit system was among the *(ctd. p.2)*

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## *Inequality Conference Recap (cont.)*

(from p. 1) most progressive in the OECD, it became less redistributive after 1995. Participants debated the implications of these trends, especially the rise in the share of top incomes.

Several papers focused on improving the measurement of inequality. Using detailed tax records for the United States, Rich Burkhauser (Cornell) found that some of the increase in top income shares was due to changes in tax rules. But he also found that when capital gains are included on an accrual basis (rather than as realised capital gains), the long-term upward trend in top income shares is much milder. Participants mused about which concept of income is the most appropriate and for what purposes. In joint work with Rich and others, Nicolas Hereault (Melbourne Institute) merged survey and tax data to gain a more complete picture of inequality trends in the UK. This produced a Gini coefficient more similar to that for the United States and revealed a surge in inequality in the early 2000s.



*The dynamic duo Bob Gregory and Jeff Borland compete for attention*

Some presenters focused on the factors that drive long-run trends in inequality. Markus Brueckner (ANU) used a human capital framework to assess the two-way relationship between growth and inequality. Consistent with the model, he found that income growth reduces inequality but growth is slower when initial inequality is high. Gordon Menzies (University of Technology, Sydney) developed a model of the fertility transition and the switch from a positive to a negative relationship between family income and family size. Working through inheritance, this transition leads to growing inequality. A lively discussion ensued that debated the importance of inheritance practices and questioned the concordance between the long run trends in fertility and in inequality.

Shifting the focus to Australia, Jeff Williamson (Wisconsin) presented new estimates of trends in average incomes and inequality from 1821 to 1861. He found spectacular growth in income per worker and strong growth in income per capita. But in contrast to the United States before the Civil War, there was no increase in inequality, partly because of the shift from exploited convict labour to free labour. Questioners wondered about the general equilibrium effects on food (and other) prices. (ctd. p. 3)

## **Centre for Economic History Discussion Paper Series**

The CEH website hosts a discussion paper series on a variety of topics in economic history. Recent additions include the following (CEH affiliate in **bold**):

2017-01 "Australian Exceptionalism? Inequality and Living Standards 1821-1871", **Laura Panza** and **Jeffrey G. Williamson**

Centre affiliates and visitors are encouraged to submit working papers to the series. All papers are available at <http://rse.anu.edu.au/research/centres-projects/centre-for-economic-history/>

## ***Inequality Conference Recap (cont.)***



*Riveting Rosie*

(from p. 3) Rob Bray (ANU) followed with a detailed account of the transition across the twentieth century from a legislated minimum wage based on family needs to a lower (relative) minimum plus means tested welfare. Participants mused about the role of the rise in women's labour force participation, changes in family composition, and the political economy forces that drove this transformation in policy.

Bob Gregory (ANU) focused on inequality between men and women in the Australian labour market. He found that women's share of total labour market income increased strongly from 1966 to 2001 but then stagnated. Most of the increase was due to the rise in part-time female employment rates rather than to converging wage rates. One implication was that rising education among women was not being fully utilised in the labour market. Participants commented that it may nevertheless have allowed older women to re-enter the labour market. Jeff Borland (Melbourne) used survey data to decompose inequality in labour market income. He found that educational composition mattered little but (*ctd. p. 4*)

### ***Featured Economic Historian: Leandro Prados de la Escosura***

It was a great pleasure to welcome Professor Leandro Prados de la Escosura, who was visiting the CEH for the first time. In his short stay Leandro gave a paper at the CEH conference on Inequality and Living Standards: Past and Present, as well as presenting the keynote address in the form of a Goldsmith public lecture.

Leandro is Professor of Economic History at Carlos III de Madrid. He has a PhD in economics from Universidad Complutense, Madrid and a PhD in history from Oxford. At Carlos III he has served as Head of the Department of Economics and Dean of the Faculty of Economics. He has also been awarded a string of prestigious visiting professorships, including the Leverhulme Professorship at the London School of Economics, a Jean Monet Fellowship at the European University Institute, and the Maddison Chair at the University of Grönigen.

Leandro has been one of the leading lights in the development of European economic history. He was one of the founders of the European Historical Economics Society and served as its president from 2001-03. His work on Spanish economic history has been very influential, as represented in his latest book, *Spanish Economic Growth, 1850-2015* (Palgrave Macmillan, 2017). He has also made important contributions to comparative economic history by providing new estimates of long-run economic growth in a range of countries, including those in Latin America. His most recent work charts long-run trends in inequality between countries, not only in per capita income but in wider measures of well-being.

In his Goldsmith public lecture Leandro asked: is there a trade off between economic freedom and economic well-being or are they complimentary? He presented a new measure of economic freedom based on secure property rights, price stability, low barriers to trade and resource allocation through the market. While there is some correlation between economic freedom and income concentration among richer countries in certain periods (interwar and post-1980), there is no stable relationship in a wider set of countries over the long-run. As so often in economic history, the results serve as a caution against making broad generalisations based on specific countries and periods.





## *Inequality Conference Recap (cont.)*



*Peter Egger explaining complicated data*

(from p. 3) occupational composition mattered a lot. The tax/benefit system partly offset growing inequality between households. Participants asked whether changes in family structure had also contributed to growing inequality.

At the end of the first day Leandro Prados gave the keynote presentation in the form of a very well attended Goldsmith public lecture (see the feature on

Leandro). The conference was rounded off with a special presentation by Andrew Leigh (formerly ANU, now front-bench MP in the Federal Parliament). He drew together the major trends in globalisation and inequality, and related these to the rise of political populism, both left and right. Public attitudes in Australia were relatively positive about immigration, less so for trade and negative towards foreign investment. He argued that politicians need to construct a more positive narrative about the effects of globalisation and to develop policies to mitigate the downsides. -TH

## **Call for Papers: XVIII World Economic History Congress**

The XVIII World Economic History Congress will be held in Boston, 29 July-3 August 2018. See: <http://wehc2018.org>

If you have arranged a session or plan to submit a proposal for the **second round** and would like to consider offers of papers, please contact the CEH for inclusion in the next issue of the newsletter.



*"Lake" George (Reuters 2017)*

Lionel Frost ([lionel.frost@monash.edu](mailto:lionel.frost@monash.edu)) and Martin Shanahan ([martin.shanahan@unisa.edu.au](mailto:martin.shanahan@unisa.edu.au)) have a session proposal titled **"Water use and the urban environment under pressure: lessons**

**from history"** approved for the first round and would be happy to hear from any CEH member who is interested in joining the session.

*Session details:* Historically, the availability of adequate water supplies, and the development of effective water treatment and waste removal technologies are critical to urbanization and economic development. The costs associated with required water technology create endogenous limits to urban growth; as these costs increase, rising rents and taxes can act as limits to city size by cutting disposable incomes and capital accumulation. Ineffective water technology intensifies urban disamenities, reducing labour productivity and human capital formation, and requiring higher urban wage premiums to attract the migrants needed to maintain pressure on all aspects of water supply and urban development. In some instances, water supplies may be decreased, in others the risk of infection from water-borne parasites may increase. Severe weather events are likely to increase the pressure on urban infrastructure. The challenges cities face in securing adequate water supplies, and separating clean water from waste water are path-dependent processes, highly sensitive to initial conditions that exert a lasting impact and shape and constrain subsequent land use and choices of infrastructure. In this session, an international panel of economic, urban, and environmental historians will consider a range of cases from cities around the world, over the 19th and 20th centuries. The aim is to compare and contrast the ways in which cities have responded to events such as drought, floods, and water-related diseases, to determine whether there are lessons from the past that will be useful for future responses to extreme climatic events. -LF



## Jetlog: Abu Dhabi Economic History Workshop, 12-14 March 2017



*Martin Andersson (Lund), Pierre van der Eng (ANU), and Nuno Palma (Groningen) looking tres sheik*

Organisers Bob Allen and Steve Broadberry welcomed 20 economic historians from Europe and Asia to the 2<sup>nd</sup> edition of this workshop, co-hosted by New York University Abu Dhabi (NYUAD) and the Centre for Economic Policy Research (CEPR) in the UK. The workshop took place at the beautiful NYUAD campus on Saadiyat island near Abu Dhabi with the theme 'Drivers of Economic Divergence: Institutions, Geography and Technology'.

The participants presented and discussed 18 papers during the three day workshop. The papers covered a range of topics in the contexts of African, European, American and Asian countries. Some papers offered comparative approaches spanning a region. Pierre van der Eng presented a paper that seeks to explain economic divergence and convergence between the main economies of Southeast Asia and Japan on the basis of an

endogenous growth model with human capital formation and technology transfer since 1870 as the main drivers of growth.

The participants were grateful recipients of the hospitality of NYUAD, which encouraged frank discussion and also took them to a desert camp to enjoy off-road sand dune racing, Arab dress-up, camel rides and whirling dervish dancing. -PvdE

## Conference Announcements: HETSA and AusClio 2017

**HETSA:** The annual History of Economic Thought Society of Australia Conference will be held in Canberra from **25-27 September 2017**. Our special speaker is Professor John Creedy (Victoria University of Wellington), well-known for his extensive research on public finance including the history of taxation. The conference dinner will be held at the historic Old Parliament House on the evening of Tuesday, 26 September.

Papers may be submitted until **11 August**. For more information, please visit the conference website: [hetsa2017.com](http://hetsa2017.com). Enquiries should be directed to the conference organiser, William Coleman, at [HETSA2017@gmail.com](mailto:HETSA2017@gmail.com). HETSA17 gratefully acknowledges the support of the Centre for Economic History. -WC

**AusClio Canberra:** The 4th Australasian Cliometrics Workshop will be held on **6 November 2017**. Per the format of previous years, there is no workshop theme, and accepted papers will be distributed advance to participants to encourage active discussion.

Registration is free and catering will be provided, but travel costs are to be borne by participants. Early career scholars and graduate students are encouraged to apply, with some travel support available to the latter. Extended abstracts accepted until **30 June**, with notifications made in July. Full papers will be due by 15 October. Submissions or RSVP to [CEH.RSE@anu.edu.au](mailto:CEH.RSE@anu.edu.au). -JT

*The CEH welcomes courtesy announcement from affiliates and interested parties for inclusion in our newsletter. Please send news to [CEH.RSE@anu.edu.au](mailto:CEH.RSE@anu.edu.au) (subject to editing).*

*All CEH affiliates who are registered with RePEc are invited to add the Centre as an institutional affiliation on IDEAS: <http://edirc.repec.org/data/chanuau.html>*