

Introduction ‘Inequality in the Low Countries’

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In recent years the study of inequality has received a revival of interest, of which Thomas Piketty's *Capital in the Twentieth Century* is only the most striking and a very influential example.¹ The major theme that emerges from the growing body of literature on inequality, is the calling into question of the once dominant stylized facts first formulated by Simon Kuznets around the middle of the twentieth century. In 1955 Kuznets put forward his ‘inverted U hypothesis’ by arguing that inequality first rises and later declines with growing per capita income. The chief explanation of both the upward and the downward sloping segment of the inverted-U curve are the relative changes in a nation's sectoral employment. Kuznets claimed that income inequality is affected by the reallocation of workers from agricultural sectors to non-agricultural sectors: as an economy develops, workers move from the traditional agricultural sector to the more advanced/urban sectors looking for better-paying jobs. This increases inequality due to an increase of inequality in incomes between the agricultural sector and modern sectors (between-sector inequality). Moreover, the variance of incomes in the modern sector is large due to skill premiums (within-sector inequality). As development continues, inequality is expected to decline again as more and more people are incorporated into the modern sectors. The influence of between-sector inequality decreases as only a limited number of people are still working in the agricultural sector, and as more people are supplying labour in the modern sectors, skill premiums decrease and within-sector inequality will be lower. The theory expects between sector migra-

¹ T. Piketty, *Capital in the Twenty-First Century* (Harvard 2014). The original in French was published in August 2013. More recently also the historical chapters, which include the pre-industrial period in B. Milanovic, *Global inequality. A new approach for the age of globalization* (Cambridge, Mss. 2016) and W. Scheidel, *The Great Leveler: violence and the history of inequality from the Stone Age to the Twenty-First Century* (Princeton 2017).

tion will continue until the labour surplus in the agricultural sector is depleted.²

Work on the evolution of top incomes by the research group led by Thomas Piketty and Anthony Atkinson³ has shown these stylized facts not to hold for the end of the twentieth and beginning of the twenty-first century. Similarly, work on the more distant past has voiced doubts about the direct and symmetrical relationship between economic development and inequality. In a seminal article on early modern inequality trends in Holland Jan-Luiten van Zanden argued economic development in the pre-industrial period was also associated with increases in inequality even in the absence of structural transformation of the economy, tracing the so-called ‘super-Kuznets curve’.⁴ That phases of pre-industrial economic expansion and rising inequality can go hand in hand was also shown for colonial Botswana.⁵ Additionally, new evidence on long term inequality trends for Portugal suggests that early modern phases of economic contraction led to diminishing levels of inequality.⁶ On the other hand, recent research across late medieval and early modern Europe has suggested that inequality tended to rise also in the absence of economic growth or during periods of economic decline, underlining the complexity of the relationship between growth and inequality.⁷

In order to further our understanding of what factors are driving long term inequality trends, there is a need for gathering as extensive data as possible on inequality.⁸ This special issue on inequality in the Low Countries aims to

2 S. Kuznets, ‘Economic growth and income inequality’, *The American Economic Review* 45 (1955) 1-28. W.A. Lewis, *Economic Development with unlimited Supplies of Labour. The Manchester School* 22 (2) (1954) 139-191.

3 A.B. Atkinson, T. Piketty, and E. Saez, ‘Top Incomes in the Long Run of History’, *Journal of Economic Literature* 49 (1) (2011) 3-71.

4 J.-L. van Zanden, ‘Tracing the beginning of the Kuznets Curve: Western Europe during the early modern period’, *The Economic History Review* 48 (1995) 643-664.

5 J. Bolt and E. Hillbom, ‘Long-Term Trends in Economic Inequality: Lessons from Colonial Botswana, 1921-74’, *The Economic History Review*, 69, Issue 4 (2016) 1255-1284.

6 J. Reis, ‘Deviant behaviour? Inequality in Portugal 1565-1770’, *Cliometrica* forthcoming; C. Santiago-Caballero, ‘Income inequality in central Spain, 1690-1800’, *Explorations in Economic History* 48 (2011) 83-96.

7 G. Alfani and W. Ryckbosch, ‘Growing apart in early modern Europe? A comparison of inequality trends in Italy and the Low Countries, 1500-1800’, *Explorations in Economic History* 62 (2016) 143-153.

8 T. Piketty, *Capital in the Twenty-First Century* (Harvard 2014); G. Alfani, ‘The rich in historical perspective. Evidence for preindustrial Europe (ca. 1300-1800)’, *Cliometrica*, Issue 3 (2017), forthcoming.

contribute both to the growing literature on measuring inequality for different time periods, as to the literature aiming to discover the factors that shape long-term inequality trends. It presents three case studies on the development of wealth inequality and factors affecting inequality trends for Belgium and the Netherlands. Both countries are absent from Piketty's book due to lack of consistent estimates. The contributions of both Coenen and Van Bavel and Frankema shed light on difficulties with existing inequality series for the post-war period for the Netherlands and the latter provides new estimates based on a variety of sources. The contribution by Dombrecht and Ryckbosch discusses wealth inequality in parts of Belgium during the 16th century, thereby contributing to our understanding of what factors shape long term inequality trends. The wide scope in both methodologies applied and periods discussed in the various contributions to this special issue both shows how diverse recent research on inequality is, and emphasizes the importance of economic inequality throughout history.

Given the current paucity in data on wealth inequality, and the difficulty of measuring it consistently across countries, the first contribution by Ann Coenen provides a much needed assessment of the quality of the available official data series on wealth inequality for the Netherlands for the post WWII period. Piketty did not include the Netherlands in his analysis on the grounds of unsatisfactory data but did not give any details of specific problems.⁹ This paper provides the crucial information to assess the quality and problems of the current series. This is relevant to scholars wanting to include the Netherlands in the analysis of long term economic inequality and to politicians interested in limiting economic inequality. The perception has for a long term been that the Netherlands is an equal society, reflected by equal wages and progressive tax system. Yet this tells us very little about the distribution of wealth which is at the core of economic inequality. In her contribution, Coenen scrutinizes the available estimates of wealth in Dutch society for the post war period and discusses the many methodological problems associated with measuring the exact size of Dutch wealth. Comparing all available estimates, Coenen suggests that Dutch wealth inequality decreased until the 1970 in line with what previous studies have suggested. However, since the 1980s up until the present, probably only levelling off somewhat during the recent financial crisis. Yet, given the scarcity of reliable statistics it remains unclear whether the increase since the 1980s has been a stable upward trend or whether there have been tempo-

9 Piketty, *Capital*, 642.

rary trend reversals. It is also not clear to what extent the financial crisis actually slowed the increase in wealth inequality. Given the uncertainty of these conclusions due to measurement issues, this paper forcefully encourages renewed research into measuring long term economic inequality.

In the second contribution to this special issue, Van Bavel and Frankema confirm the problematic nature of available wealth data for the Netherlands in the long twentieth century. Building on and extending Coenen's contribution, Van Bavel and Frankema assemble various alternative sources of private wealth to try and provide a more encompassing and consistent estimate of Dutch wealth inequality. In doing so, they find an unexpected and even paradoxical pattern for the Netherlands since the Second World War of persistent low income inequality in combination with high, especially private, wealth inequality. Van Bavel and Frankema argue that this paradox of low income inequality and high private wealth inequality is present in other Northern European countries as well, and seems related to particularities of the Northern European welfare state systems with its extensive social arrangements and collective pension systems.

The final contribution by Dombrecht and Ryckbosch takes the reader to a much earlier time period, as it studies early modern levels of inequality in the coastal areas of Flanders by focussing on inequality trends for coastal Flanders. The contribution of this paper is two-fold as it both presents new empirical material on both land, income and wealth inequality for coast Flanders during the 16th century and explores the drivers of the upward and downward swings in pre-industrial inequality levels. Dombrecht and Ryckbosch suggest that early modern changes in inequality in Flanders was the result of structural changes in the (political) economy prevalent in the society at the time. In particular, the authors emphasize the role of changing institutional arrangements and the changing distribution of factor endowments as explanations for the developments in inequality in the coastal region of Flanders the 16th century.

About the authors

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