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RESEARCH IN ECONOMICS AND RURAL SOCIOLOGY

**The wealthy from the countryside and the wealthy from the cities:
Rural and urban wealth in France between 1820 and 1939**

How have the structural changes that have occurred since the 19th century affected the individual wealth of the French? The use of an historical source to monitor these changes in wealth shows that, in France, wealth inequalities stem from changes in the internal distribution of the rural world, even though the urbanization which took place at that time has visible effects. In rural areas, and on average in France, the reduction in the proportion of the population having assets mainly affects small owners, thus increasing the gaps in wealth.

In France, the period between the beginning of the 19th century and the beginning of World War II saw important structural changes. A country that had been predominantly rural became urbanized and industrialised; at the factory or in offices, salaried work replaced farm work or home-manufacturing. The railways and mines developed the first private pension schemes; Primary Education became widespread and free. These major transformations went hand in hand with major redistributive effects which resulted in a reallocation of economic wealth within the French population. From the TRA-wealth survey, an individual data source which traces more than 90,000 estates of French people deceased between 1820 and 1939 (frame), we show that, despite urbanization, the increase in the internal inequalities of the rural world played a major role in the distribution of wealth between the French.

1. A century and a half of structural changes

The broad outlines of French growth since the revolution are well-known: we will merely observe that from a spatial viewpoint, urbanization was shaped in the hierarchy inherited from the Ancient Regime, centred on Southern France and the ports before an

industrial and mining France emerged in the North and East in the second half of the 19th century. Above all, Paris then stood out clearly from the regional metropolises: from 1890, as well as political power, the capital tended to concentrate economic power and big industry in its booming outskirts.

From an economic viewpoint, the dual model of Arthur Lewis (1954) provides a pertinent framework to size the redistributive effects of a predominantly agricultural and rural society changing into an industrial and urban economy. In the same vein, Kuznets (1955) speculates that at first, inequality increases when towns become industrialized and wages at the factories located in the urban areas have to be higher to attract the rural manpower from the countryside, and that subsequently, wage competition and an increase in food needs in towns reduce the gaps.

However, extending Kuznets' speculation to wealth is not straightforward. We might think that wealth stocks, which result from income flows, follow the movement of these flows with a time delay.

Frame 1: the TRA-wealth survey

The data come from the TRA-wealth survey, collected at the Unit of Applied Economics, INRA (Paris School of Economics). The TRA-wealth survey collected data on the estates of the French deceased between 1820 and 1939 whose surname began with the three letters T-R-A. It uses two tax sources: the tables of estates and absence (TEA) and the registers of transfers by death (RTD). The TEA provides information on surname, occupation, marital status, residence and age of the deceased. Up until 1870, the TEA also included the value of the estate. After this date, only the existence or not of inheritance is mentioned. The details are sent to the registers of transfers by death. Data collection is almost complete as regards the TEA. However, it is only fragmented as regards the RTD because of the length of the estate records and the dispersed nature of the source. So, from 1870, the inheritance amounts that we know of as being positive (by the TEA) are often missing.

To solve the problem, after 1870 the sample used weights data as follows: a positive estate, the amount of which is well known represents n positive estates the amount of which is unknown (but corresponds to an agent of the same sex, period, age group, living in the same region and in the same type of area – rural, cities outside Paris, Paris). However, there is still a problem: in its construction, the TRA-wealth base is like a household survey: it is representative of the French “middle class”, leaving an estate or not, and hence is less representative of the super-rich. On the contrary: it only takes one “super-rich” to be included in the base one year for this “exceptional” death increases the global wealth of the year or the mean wealth of the upper decile. To remedy these “leaps” in the average, the sample was levelled beyond the amount corresponding to the richest centile of the Parisians, as noted at the same time by Piketty, Postel-Vinay and Rosenthal (2006). The micro-simulation methodology on all the distribution here is little influenced by the super-rich, unlike the means or indices of inequality. The final sample includes 41,476 individuals.

Several phenomena disprove this simple transfer of income to wealth. Inflation or war destruction may undermine capital independently from the

incomes that were used to accumulate it. Moreover, wealth is much more concentrated than income: only between two thirds and half the population have estates - a little more in the countryside and much less in Paris - and these proportions change with time. Last, the extreme concentration of wealth means that a large number of French people share very little wealth.

The pioneering survey of A. Daumard on 5 cities (Paris, Toulouse, Bordeaux, Lille and Lyon) between 1800 and 1914, gives a first indication of the growth effects on wealth inequalities. Wealth is concentrated in Paris where the biggest fortunes are to be found. Outside Paris, Lyon which was second in terms of wealth is dethroned by Lille, while Toulouse is far behind.

In the present survey which is concentrated on “ordinary” wealth, that of 99% of French people, and disregards the 1%¹ of the wealthiest, our objective is to re-immersé the history of urban wealth inequalities into those of France as a whole.

2. The spatial distribution of wealth in France between 1820 and 1939

On average, the wealth of the French who have ordinary estates evolved in a similar way in towns and in the countryside. It increased until WWI, then decreased between 1919 and 1939 (see table 1). The drop is quite substantial: mean wealth during the 1919-1939 period is even lower than what it was between 1870 and 1894, after increasing by 40% between 1870-94 and 1895-1913. This mainly affected the upper quarter of wealth: the 25% richest (the 3rd quartile) lost 40% of the value of their wealth. The mean wealth of asset owners was lower in the rural areas than in the cities and much lower than in Paris (where it was double the rural wealth). The gap between mean wealth in the city and in the countryside reached its peak in 1870-1894, the time of the agricultural crisis.

¹ Because these people own 55% of the global wealth, they tell quite another story of wealth (see Piketty *et al.*, 2006);

Table 1: The mean wealth and inequality index of Theil for estate owners

	1820- 1847	1848- 1869	1870- 1894	1895- 1913	1919- 1939
France					
3rd quartile	8,967	12,647	16,540	27,934	16,936
Mean	9,854	13,916	19,433	27,418	16,767
Median	3,013	4,321	5,880	8,351	6,170
Theil	1.065	1.064	1.130	0.980	0.854
Rural areas					
3rd quartile	8,453	11,659	14,425	23,889	15,184
Mean	8,954	12,065	14,960	24,037	14,452
Median	2,934	4,182	5,515	7,816	6,013
Theil	1.029	0.998	1.000	0.952	0.818
Paris					
3rd quartile	22,383	33,359	49,883	60,967	29,487
Mean	23,218	32,187	51,393	49,596	27,231
Median	3,025	3,152	16,797	14,786	10,074
Theil	1.080	1.176	0.910	0.880	0.754
Cities outside Paris					
3rd quartile	12,953	22,526	29,086	42,173	18,396
Mean	14,345	23,110	34,708	37,274	20,995
Median	3,423	6,018	6,984	9,388	6,976
Theil	1.057	1.050	1.136	0.975	0.873

Note: Source: TRA-patrimoine, euros 2007

The use of a standard inequality index like the Theil indicator shows that, at the beginning of the period, wealth inequality was higher in Paris, then in the provincial cities and lower in the rural areas (table 1). It remained steady until 1870 before dropping significantly, first in Paris, then, at the turn of the century in the provincial cities and last during the interwar years in the rural areas. Therefore, the urban-rural wealth gap is neither constant in time nor homogeneous according to the various levels of wealth. The relative evolution of the means (which themselves are very sensitive to the behaviour of the top of the distribution) does not give a precise account of the evolution of the relative structure of inequality.

Added to the specific effects at the top of wealth distribution, there is another wealth specificity in relation to income: only one share of the population has access to wealth, this proportion decreasing in time from 68% in 1820 to 54% in 1939 (table 2). We observe the phenomenon over the whole territory but in a very different way: in 1820-1847, most rural people owned an estate (74% on average). Conversely, the majority of urban people did not leave anything when they died: this is the case of almost half the people from provincial towns and 70% of Parisians. During the interwar years, the share of asset owners dropped in rural areas by more than 8 percentage points. In Paris, the drop was only 1 point.

Table 2: Structure of the population: Weight of asset owners in the population of each area and Weight of each area in the French population

In %					
	1820- 1847	1848- 1869	1870- 1894	1895- 1913	1919- 1939
France					
<i>Share of estate owners</i>	68.2	66.5	60.6	56.3	53.8
Rural areas					
<i>Share of the area in the French population</i>	80.0	75.5	67.5	64.1	57.6
<i>Share of estate owners in the population of the area</i>	73.8	74.9	71.8	68.1	64.4
Paris					
<i>Share of the area in the French population</i>	4.5	6.0	8.2	8.2	8.2
<i>Share of estate owners in the population of the area</i>	30.4	24.5	22.6	22.5	29.4
Towns outside Paris					
<i>Share of the area in the French population</i>	15.5	18.5	24.3	27.7	34.2
<i>Share of estate owners in the population of the area</i>	50.1	45.7	42.4	39.0	41.8

Several factors explain this structure and its evolution. The urban-rural gap may be explained by the greater difficulty of access to ownership in towns compared with the countryside where it is relatively easy to acquire a plot. This gap tends to decrease, both because the access to ownership was made easier in towns (especially with the emergence of sales by apartment) and because the competition for land and the concentration of private property reduced the opportunities of purchasing in the countryside.

3. The evolution in inequalities first began in the rural world

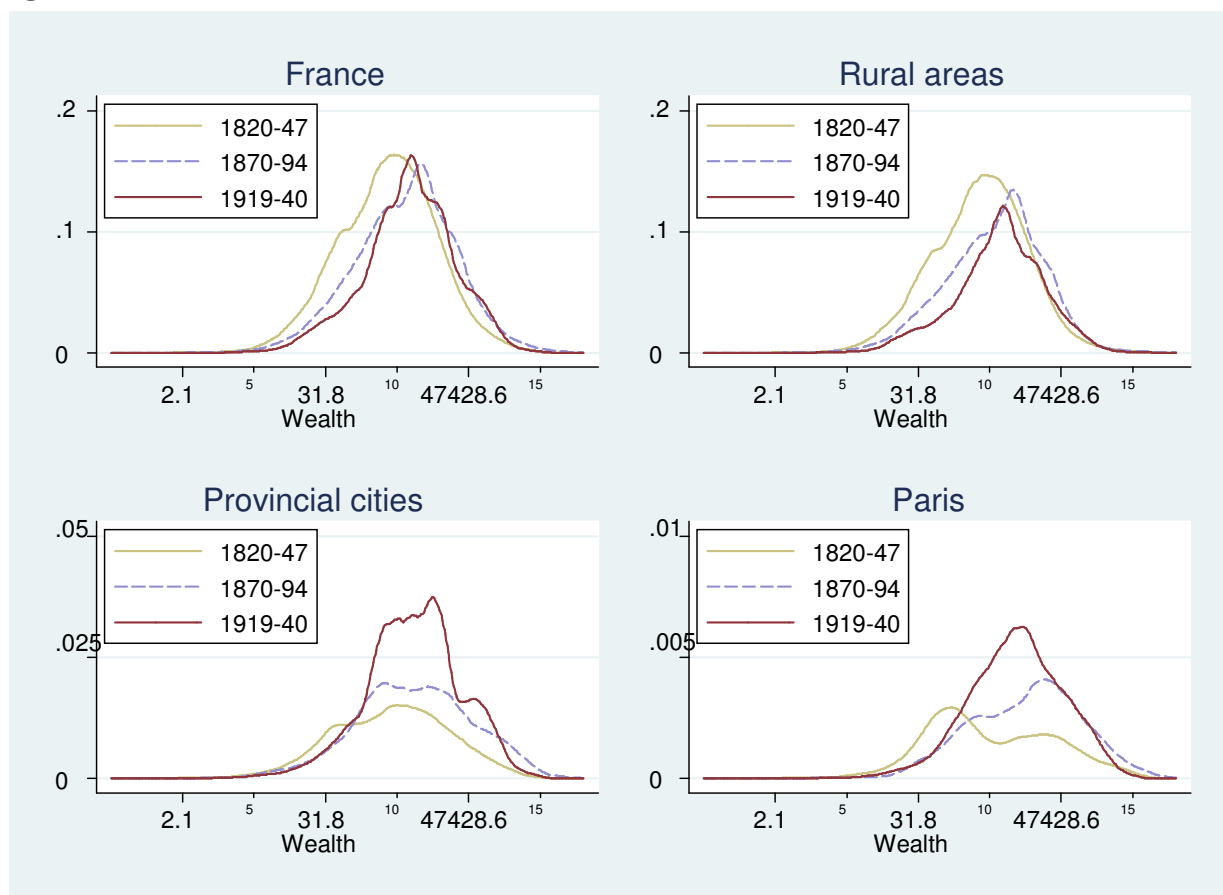
The Theil or Gini indices do not allow observation of a whole distribution and its evolution. To characterise more finely the two phenomena previously observed (variation of the mean wealth value from the upper quartile, reduction of owners' share in the population), we assessed in a non-parametric way the form of wealth distribution for the whole population and various sub-groups on which the breakdown is performed. Figure 1 represents the wealth distribution for the whole population at three periods and for three geographical areas of interest (considering here only the individuals leaving estates after death). Therefore, the global distribution is the sum of three distributions

balanced by the weight of the corresponding populations.

Despite the growing urbanization movement and increasing inequalities specific to the urban world, the curve for the whole of France and its evolution remains dominated by what happened to the rural world: during this period, the rural population remained a majority, even though its numerical predominance diminished. Therefore, the evolution of wealth distribution in the

countryside led the evolution of the whole. This history is emphasized by a common enrichment of the wealthy and a general shift of the distribution to the right as observed on figure 1. This movement is concomitant with an increase in the share of the individuals who do not leave any estate and so it expresses a polarisation between owners and non owners in French society, as much in towns as in the countryside (table 2).

Figure 1: Distribution of wealth in France 1820-47, 1870-1894 and 1919-39 (in Euros 2007, on a logarithmic scale).



Note: The represented curves are assessments of density functions.

However, the rural world is not a world without history; under the relative stability of the inequality index, two major changes are implemented: (i) a decrease in the share of asset owners (table 2) which is also expressed in the slowdown of the second curve, figure 1, and (ii) among asset owners, a symmetric enrichment favouring the top of the distribution (figure 1); the numerous very small rural owners at the beginning tend to disappear.

Though insufficient to modify the whole distribution in cities outside Paris, the distribution curve radically changes between 1820-47 and 1919-39. The urban population growth did not result in increased access to property - on the contrary, the share of people who died leaving no estate increased and the curve shifted to the right expressing an enrichment of the asset owners without any turnover of the small asset owners as seen above.

All in all, from the beginning of the 19th century until the 1940 war, we may remember two major characteristics of the evolution in wealth inequalities in France. On the one hand, there is no mechanical link between growth and enrichment: we see that the share of people leaving no estate increased over that period. On the other hand, although the urbanization phenomenon and the place of the cities increased

strongly over the period, the rural world remained massive and the evolution of the inequalities in that world dictated the whole movement of the inequalities in the French society. The key point is that, contrary to a widely-shared hope since the Revolution and at least all through the 19th century, we have not witnessed a democratization of the small rural estate.

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