



H.F.R.I.
Hellenic Foundation for
Research & Innovation

Description of the funded research project
1st Call for H.F.R.I. Research Projects to Support Faculty
Members & Researchers and Procure High-Value
Research Equipment

Title of the research project: On the origins of state capacity and its implications on the contemporary economy and economic policy

Principal Investigator: Fabio Antoniou

Reader-friendly title: State capacity and economic policy

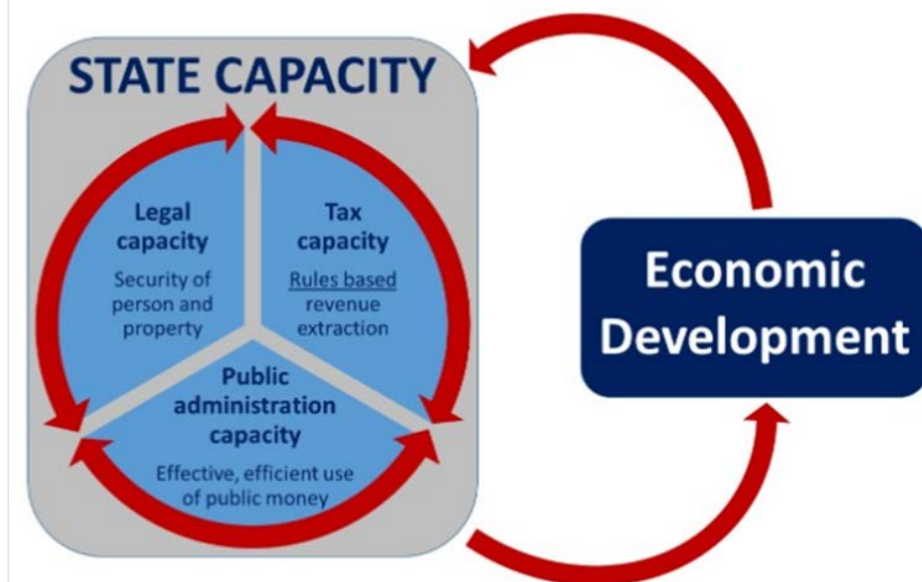
Scientific Area: Social sciences

Institution and Country: Athens
University of Economics and Business, Greece

Host Institution: Athens University of
Economics and Business

Collaborating

Institution(s): Πανεπιστήμιο Ιωαννίνων,
Πανεπιστήμιο Κύπρου, Montpellier Business
School, University of Bergamo, University of
Sheffield



Budget: 121,000.00

Duration: 36 Months

Research Project Synopsis

The purpose of this project is twofold. In the first part, the analysis focuses on the historical origins that influenced the formation of fiscal capacity in the first modern European countries. It then compares the fiscal institutions that were formed in Greece with those in other European countries during the same historical period. Countries in the pre-industrial era relied on tax farming methodology. Therefore, the transition from tax farming to a centralized way of tax collection presupposes the existence of modern fiscal institutions that favor the development of fiscal capacity. The question that arises and we will try to answer in the context of this proposal, both empirically and theoretically, is why the transition took place only in few countries and not in every country. We will also look for the historical attributes that determine the time of the transition.

In the second part, the analysis focuses on the mechanisms that link the state capacity with the exercise of economic policy as well as with the economic prosperity of countries. In particular, using the empirical studies mentioned above, we will try to identify the permanent effects of fiscal capacity on individuals' consumer behavior. Next, we will explore the implications of the level of fiscal and legal capacity on trade-related issues as well as business behavior.

Project originality

The first part of the current research project seeks to explore the historical forces that may affect fiscal capacity. To this end, the first part of our analysis develops two unique historical data sets. The first unique historical data set will contain data on the revenues collected from -direct and indirect- taxes on a regional basis (for 48 Greek provinces) during the period 1853-1879. In addition, all of our data will contain data on tax arrears on a regional basis over the same period. The financial data will be taken from the final budget accounts (i.e. Απολογησμούς) of the Greek State available in the Historical Archive of the National Bank of Greece (HANBG). The second historical data set uses data from the census of 1907, 1920 and 1928. Data on land inequality around 1900 are used from historical studies (e.g. Alivizatos 1938; Petmezas 2003; 2006; 2012) and Archives (e.g. General State Archives, National Foundation for Research and Studies ("Eleftherios K. Venizelos")), as an agricultural reform began in 1920, which meant the division of most large land holdings and their distribution to the homeless. The second part of the research project develops different theoretical frameworks to endogenously connect history (led by the above empirical work) with modern economic results.

Expected results & Research Project Impact

The outcome and the potential contribution of the proposed project is multidimensional. On the one side, it will deliver new historical data that may offer alternative explanations for the state capacity formation (particularly for Greece). On the flip side, our findings may reflect on actual economic policy regarding countries that have less developed levels of state capacity. Specifically, reforms will be suggested in second best environments which may be welfare enhancing. On top of that, further exploring the deep characteristics of the behaviour of consumers and the behaviour of firms in dynamic setups can possibly provide a role for shaping and enforcing more efficiently fiscal and legal capacity. To cut the long story short, we seek to provide answers to major questions currently puzzling the scientific community using advanced mathematical and econometric techniques and at the same time to prescribe solutions for economies facing weak levels of fiscal and legal capacity such as Greece.

The importance of this funding

The funding from E.L.I.D.E.K. is vital to the implementation of the project as it requires the coordination of different actions, which are labor intensive (such as data collection). It employs a significant number of scientists, domestic and international, for its implementation with significant stratification (PhD candidates, assistant professors, associate professors, professors). Simultaneous action between scientists of different specialties belonging to different bodies requires a constant mobility. Finally, a significant number of resources are needed to promote the work produced through conferences and workshops as several papers are expected as a result.



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