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Introduction: A New Look at the Origins of Economic Growth and Regional Inequality The articles that comprise this special issue pursue two complementary objectives. On the one hand, they seek to determine the extent to which adopting a regional approach is relevant for explaining the process of long-term economic growth and, on the other, to measure how sustained economic growth has caused territorial imbalances in income. To do so, they study the origins of growth in a range of different countries analyzing development and its impact on a regional scale. Studies of economic history show that during the earliest stages of economic development, the processes involved tend to have a markedly local or regional component and that the start of economic growth is connected to the emergence of major inequalities in the territorial distribution of economic activity and/or population. Under these circumstances, a historical analysis of the reasons behind the relative success or failure of different regions within different national and/or supranational contexts could greatly improve our understanding of the origins of economic growth.[1]

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1 Sidney Pollard, *The Peaceful Conquest: The Industrialization of Europe, 1760–1970* (New York, 1981); Jeffrey G. Williamson, "Regional Inequality and the Process of National Development: A Description of the Patterns," *Economic Development and Cultural Change*, XIII (1965), 3–84.

The subject of spatial inequality has received considerable attention from policymakers and other analysts; conflicting arguments about disparities in regional income frequently appear in the headlines of press articles and in mainstream media debates. Not surprisingly, therefore, this issue forms the backbone of the Europe 2020 strategy. The Cohesion Policy of the European Union (EU) specifically aims to reduce the disparities that currently exist between different EU regions and to promote a more balanced and sustainable pattern of territorial development. To this end, the EU allocated EUR 352 billion for Cohesion Policy measures for the period from 2014 to 2020—an amount equivalent to almost one-third of the total EU budget.

Scholars working in regional economics and human geography have given considerable attention to inequalities with an eye toward informing public policy. However, they have often assumed regional imbalances to have been geographically determined or to have emerged in the recent past, without considering their historical roots. In this respect, the research included in this special issue supports the hypothesis that current regional disparities are mainly the product of long and complex processes that involve a combination of historical, geographical, economic, and political factors. As a result, it focuses on the structural causes of observed inequalities, the contexts in which they arose, and the likelihood that they can be corrected or delimited through the application of territorial cohesion policies.

The contributions to this collection apply the methodology proposed by Geary and Stark (2002) to compile a new data set of historical estimates of regional GDP. In accord with this methodology, they calculate regional shares of GDP based on the working population and nominal wages, using them as a proxy for productivity by region and sector. They employ the results to answer the two questions posed above for a group of European and South American countries. This selection of countries presents not only a diversity of case studies from two continents but also a common culture that permits a reasoned comparison.[2]

Taken together, the contributions demonstrate how the observed economic growth corresponds to two relatively distinct dynamics. In

2 Tom Stark and Frank Geary, "Examining Ireland's Post-Famine Economic Growth Performance," *Economic Journal*, CXII (2002), 919–935.

the cases of Great Britain, Belgium, Spain, Portugal, Italy, and France, the origins of contemporary economic growth can be traced to the industrialization of a small group of regions. These regions were characterized by their plentiful possession of accumulating factors (such as human capital and infrastructure) and a location that allowed them to exploit the advantages (such as transportation costs) offered by economies of agglomeration associated with their industrial production. As a result, economic growth also meant growth in territorial inequality throughout the first phase of their development.

In contrast, national economic development in Argentina, Chile, and Uruguay started in regions that were well-endowed with natural resources (land and/or minerals). Because the spatial distribution of the natural resources in these countries was not subject to economies of agglomeration, spatial concentration and economic growth did not lead to an increase in regional inequality. In fact, the opening of new markets offered opportunities for growth in relatively poor regions, facilitating an incipient form of regional convergence—that is, a trend toward greater equality.

THE CONTEXT OF THE CONTRIBUTIONS Regional-income inequality, a persistent feature of the global economic landscape, is a crucial issue for policymakers. Nevertheless, and as the contributions to this special issue indicate, the current imbalances are essentially the result of a long-term evolution traceable to the origins of modern economic growth. The customary paradigm for economic growth is the industrialization that originated in Britain during the eighteenth century. In this context, newly emerging technologies led to sustained growth in the productivity of the workforce and, eventually, to a substantial improvement in living standards. Even so, industrialization and economic growth did not occur everywhere, or at the same time.

The territorial imbalance that developed under these circumstances influenced the geographical spread of economic activity and hence the distribution of national income. Referring to this phenomenon, Williamson imagined the timeline of a country's regional economic balance as an inverted U-shaped pattern. Inequality increased most in the early stages—mainly during the nineteenth century in much of Europe—before regions began to hold steady and eventually converge toward greater equality. He claimed that this path, from the origins of economic growth to the present, should always be clearly distinguishable. However, several empirical works have shown a recent upsurge in territorial inequality, converting the U-shaped relationship between development and regional inequality into more of an N-shaped relationship.

Notwithstanding this graphic temporal analysis, few empirical studies of the evolution in regional growth and inequality have adopted a historical perspective. In fact, because most of them focus on recent decades due to limitations intrinsic to the available data, they cannot provide information about the evolution of territorial inequalities, or aid in the discovery of what determined it. This special issue makes a valuable contribution to the literature about the causes of regional economic growth by constructing and analyzing a new set of historical estimates of regional per capita GDP, thus adding to our understanding of long-term regional economic growth and inequality in South America and Europe.

The generally accepted assumption is that before the Industrial Revolution, the gap between the least-developed and the richest nations of the world could not have been wide, though it has widened dramatically since the Industrial Revolution. We should emphasize, however, that despite the unarguable relevance of the national scale, this collection of articles, with its use of new regional data, follows Krugman in suggesting the importance of a finer-grained causal analysis of economic divergence since the beginning of the Industrial Revolution.[3]

This kind of regional investigation provides new answers to old questions: for example, why did fast and sustained economic growth occur only in certain regions; why did growth concentrate in certain regions; how, and how much, did the Industrial Revolution accelerate the advance of regional inequality; how steady was the speed of this process; and to what extent did transportation infrastructure influence regional growth?

THE INDIVIDUAL CONTRIBUTIONS This special issue opens with an article entitled "Reconsidering the Industrial Revolution," in which E. Anthony Wrigley recounts the strategies first employed in England and Wales to escape the constraints that energy requirements placed on growth in pre-industrial economies. Embarking

3 Paul Krugman, "Increasing Returns and Economic Geography," *Journal of Political Economy*, XCIX (1991), 483–499.

on a path to sustained growth implied having access to a much larger energy supply than ever before. Moreover, the new production systems needed new forms of energy capable of being stored. First coal and then oil were the instruments of this transformation. Wrigley disentangles the events and discoveries that culminated in Britain leading the Industrial Revolution.

Wrigley's arguments lie at the very heart of the issue that this collection seeks to elucidate. Like the other authors herein, Wrigley deploys statistics about population and railway transport, paying particular attention to urbanization and the related deep-seated changes that accompanied fast-paced economic growth. His information about real wages and energy consumption is essential for a better understanding of the myriad components responsible for modern economic change. An important part of his story is why continental Europe lagged behind Britain until the late eighteenth century and why Britain's long-standing economic advantage rapidly came to a close during the second half of the nineteenth century.

Emanuel Felice's "The Socio-Institutional Divide: Explaining Italy's Regional Development over the Long Run" brings a compelling, updated perspective to the persistent North–South divide in Italy. Felice brings new data, which are more precise than those previously employed on the subject, to bear on recent insights from the international literature about economic development. In his examination of the pre-conditions for growth at the time of Italy's unification (1861), he uses not only GDP data but also social indicators that provide further information about the geography of the country, its institutions, the external exploitation of the South, and Italian culture in general. Felice places special emphasis on the influence that social and institutional factors on a national scale had on the persistence of Italy's deep regional divisions.

Continuing with the theme of national growth, Erik Buyst in "The Causes of Growth during Belgium's Industrial Revolution" traces the evolution of regional imbalances in Belgium since the beginning of the Industrial Revolution. He highlights two significant facts: (1) that, confirming Williamson's hypotheses, the onset of Belgium's Industrial Revolution was followed by a marked increase in regional inequality in the nineteenth century and (2) that this increase did not cause any radical changes in the hierarchy of the country's richest to poorest provinces. These findings suggest that the foundations of the economic geography of Belgium's Industrial

Revolution may well have been established during the period of the *ancien régime* rather than during the first half of the nineteenth century, as maintained in the traditional literature. Buyst's study supports the revisionist view of a decided continuity between the eighteenth century and the period corresponding to Belgium's Industrial Revolution.

The special issue closes with two articles about regional inequality from a supranational perspective—region-based studies of the territories within various states in Europe and South America. Along these lines, "The Origins of Economic Growth and Regional Income Inequality in Latin Europe, 1870–1950," by Alfonso Diez-Minguela, Julio Martinez-Galarraga, M. Teresa Sanchis-Llopis, and Daniel A. Tirado-Fabregat, depicts an initial period of growth characterized by economic stability within a context of increasing globalization. Next came a second phase marked by considerable fluctuations and a halt to international economic integration, which had a definite influence on the economic policies of the countries studied.

This article provides homogeneous estimates of per capita regional GDP for 171 regions. These data reveal a distinct upsurge in regional inequality between 1870 and 1910—a period known as the First Globalization—when industrialization spread across Europe. Inequality subsequently remained steady between 1910 and 1950. The evolution of inequality during these two initial stages of development followed the inverted U-shaped pattern.

Close analysis of new evidence relating to the period from 1910 to 1950 discovers an additional phenomenon that is still observable in contemporary Europe—the polarization of regional economic inequality. By 1950, most of southern Italy and most of the regions in Spain and Portugal were already at the bottom of the income-distribution ranking, whereas the richest regions clustered in northern France and northern Italy. The core–periphery structure that currently characterizes the four nations had its origins in the diffusion of the second Industrial Revolution that occurred during the interwar years.

"Growth and Regional Disparities in South America, 1890–1960," by Marc Badia, Esteban Nicolini, and Henry Willebald, analyzes the factors that determined regional economic growth, and their implications for territorial inequality, in Argentina, Chile, and Uruguay between 1890 and 1960. Again, the period under scrutiny is significant because it permits a study of two markedly different historical contexts. The first, which lasted until the economic crisis of the 1930s, was a period when the economies of these countries made considerable advances, largely because of their integration with the international economy. At that time, the territories best endowed with natural resources and agricultural products were able to export them and thus register the highest rates of economic growth. The second period saw these states launch policies of import substitution industrialization (ISI). As a result, economic growth became centered in regions that enjoyed comparative advantages for the industrial activity that met the requirements of their respective national economies.

Under these conditions, territorial inequality in these three countries followed a U-shaped pattern instead of the inverted U-shaped pattern observed in the European cases. Furthermore, this experience in Latin America contradicts suggestions by recent works that globalization tended to exacerbate territorial inequality. The opening of these new markets offered opportunities for growth in what had previously been relatively poor regions, facilitating an incipient form of regional income convergence. From the 1930s onward, the return to protectionism and the promotion of policies aimed at import substitutions—and particularly manufactured goods—reinforced the hegemony of the richest and most densely populated regions. These regions subsequently exploited their undeniable advantages for the location of industrial activity. Hence, Argentina, Chile, and Uruguay witnessed a substantial growth in territorial inequality between 1930 and 1960.

One of the main objectives of this special issue is to understand the implications of the long-term dynamics of regional imbalance by examining a varied group of countries. The first important source of added value in this collection is the inclusion of different indicators at the regional level—population density, economic growth, rates of urbanization, and transportation infrastructure—to highlight regional economic imbalances. It also enables an analysis of these factors from a historical perspective, providing a narrative about the historical roots of economic growth and an explication of the circumstances responsible for regional imbalance.

This collection makes a significant threefold contribution to the current debate about economic growth and inequality from both a global and a regional angle: (1) by analyzing an extended historical period from the second half of the nineteenth century to the present day; (2) by using a new historical data set for per capita regional GDP; and (3) by tracking the evolution of regional inequalities across such extensive areas as England/Wales, Italy, Belgium, France, Spain, Portugal, Argentina, Chile, and Uruguay.

The contributions presented herein show how processes of economic growth with different origins resulted in uneven development. However, contrary to Williamson's notion, the start of the growth process did not always result in greater inequality. The increase in, or absence of, territorial inequality depended on initial regional conditions. For example, those parts of South America where economic growth was based on competitive advantages associated with the availability of natural resources witnessed a reduction in territorial inequalities.

Nonetheless, this special issue reveals that contexts in which economic growth entailed a drive toward industrialization were likely to foster an increase in territorial imbalance. In such cases, the origins of this unequal growth may well be traceable to institutional and economic conditions from a distant past still leaving their mark in the nineteenth century. Moreover, the institutional framework responsible for opening and closing national economies (globalization versus de-globalization) is not directly related to the exacerbation or amelioration of inequality. As a result, an increase in territorial inequality sometimes occurred in contexts of de-globalization, and in others, the opposite was true.

This collection detects a geographical pattern in the distribution of rich and poor regions. This arrangement does not correspond, however, to the position of these territories within their respective states but, instead, tends to follow a supranational arrangement. The theoretical framework of the New Economic Geography explains it by the ability of domestic or foreign markets to capture the potential for regional growth. In this respect, this special issue suggests that the design of transportation networks can exert a strong influence on regional economic growth. Public policy can therefore prove to be a highly effective means for affecting long-term territorial imbalance rather than just a conjunctural measure.