The Diffusion of New Institutions: Evidence from Renaissance Venice’s Patent System

Thursday, 29 November 2018, 2 PM
Seminar Room, Department of Economics and Management, Via Inama 5, Trento.

Speaker:
- Stefano Comino and Clara Graziano – University of Udine

Abstract
What factors affect the diffusion of new economic institutions? This paper examines this question by exploiting the introduction of the first regularized patent system, which appeared in the Venetian Republic in 1474. We begin by developing a model that links patenting activity of craft guilds with provisions in their statutes. The model predicts that guild statutes that are more effective at preventing outsiders’ entry and at mitigating price competition lead to less patenting.

We test this prediction on a new dataset that combines detailed information on craft guilds and patents in the Venetian Republic during the Renaissance. We find a negative association between patenting activity and guild statutory norms that strongly restrict entry and price competition. We show that guilds that originated from medieval religious confraternities were more likely to regulate entry and competition, and that the effect on patenting is robust to instrumenting guild statutes with their quasi-exogenous religious origin. We also find that patenting was more widespread among guilds geographically distant from Venice, and among guilds in cities with lower political connections, which we measure by exploiting a new database of noble families and their marriages with members of the great council. Our analysis suggests that local economic and political conditions may have a substantial impact on the diffusion of new economic institutions.