Top incomes in Latin American history: Some methodological and theoretical problems

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Abstract:

Recent studies on income inequality have some characteristics that differentiate them from their earlier counterparts. The spotlight on high incomes has illuminated a new angle from which to view income inequality. Now as once before, income inequality is understood as a phenomenon derived ultimately from power relations, usually asymmetric ones, between social and political agents. Because estimates of top income shares can be used as a proxy of power inequality, they can enrich our comprehension of the role of the elite in Latin America's economic development. Nevertheless, scholars interested in studying the history of economic inequality in Latin America face certain methodological and theoretical problems of their own. (1) The sort of fiscal statistics typically used capture only a few countries and sometimes only limited periods. Thus, as I argue, scholars should use dynamic social tables to produce new information. (2) Because food and other commodities such as minerals represent the lion's share of exported goods in Latin America, cycles in commodity prices have shaped the region's economic history. Thus, the crux of income inequality in Latin America is who becomes richer and who becomes poorer when exports prices rise and fall. I exemplify both points with a historical analysis of three Latin American countries: Chile, Colombia, and Argentina. First, I demonstrate the relevance of foreign capital in the mining sector to income inequality in Chile during the nitrate boom in the late 19th century. Second, I compare how different political regimes have determined the ways in which ground rent inflows, increased by rising export prices, were distributed in Colombia and Argentina during and after World War II, which resulted in opposite trends in top income shares between both countries.

Introduction

Income inequality is here again. Forty years ago, it was possible for a scholar to say that studying income inequality was like watching the grass grow (Aaron & Brookings, 1978). By the end of the 20th century, however, the situation had begun to change. Income inequality was returning from the cold, as Atkinson (1997) wrote. Nearly 25 years later, it stands at the core of research on economics and economic history.

Recent studies on income inequality have some characteristics that differentiate them from their earlier counterparts. Above all, new methods and sources have made it possible to approach the problem from new perspectives, three of which are arguably the most innovative. For one, recent studies on income inequality have tended to analyse the phenomenon across centuries, not just decades. Thus, the most important studies in the new literature stand out due to their historical perspective, in the sense of seeing the present as part of a process with roots in the past. That perspective maintains that history matters not only for a better understanding of the present but also for thinking about the future.

For another, recent studies have shifted the focus to top incomes. Although subject to limitations imposed by tax data, which cover only a fraction of people, the spotlight on high incomes has illuminated a new angle from which to view income inequality. Whereas household surveys, the chief sources for traditional studies, tend to underestimate the relevance of top incomes, studies based on tax records have shown that what happens at the top often drives trends in inequality over time. Thus, if past approaches once focused on inequality in wages, as the sole source of income properly measured by household surveys, then the new literature, in seeing income inequality return from the cold, has warmed itself around concepts such as the ruling class, the elite, capital income, functional distribution, and power relations.

From that enhanced vantage emerges the third and arguably most important perspective in the new literature: viewing income inequality in a way that resembles the classical political economic tradition. Now as once before, income inequality is understood as a phenomenon derived ultimately from power relations, usually asymmetric ones, between social and political agents. Thus, as in the classical tradition, technological change, institutions, ideas, organisations, and distributive conflict, in interaction with market factors, provide the causal mechanisms that explain trends in income inequality. As a result, income distribution is no longer seen as merely another outcome of supply and demand (Atkinson, 2015; Atkinson & Piketty, 2007, 2010; Flores et al., 2020; Levy & Temin, 2011; Lindert & Williamson, 2016; Piketty, 2001, 2014, 2015, 2019; Rodríguez Weber, 2017b, 2017c; Souza, 2018; Stiglitz, 2013; Temin, 2018).

Addressing a region characterised by high inequality in numerous dimensions, scholars in Latin American studies have taken part in that renaissance. Although they never lost interest in the subject, they now view the political economic approach as being more valuable than neoclassical orthodoxy, given its excessive emphasis on market factors, for treating the region's major problems (Bértola & Williamson, 2017). With its focus on the long term and power relations between the state, the elite, and everyone else, the new literature brings to the fore problems in economic analysis that have long been regarded as the primary obstacles

to understanding economic development (Bértola & Rodríguez Weber, 2016). Nevertheless, scholars interested in studying the history of economic inequality in Latin America in particular face certain methodological and theoretical problems of their own (Bértola, 2017; Rodríguez Weber, 2018; Sánchez-Ancochea, 2021). The overarching purpose of this paper is to discuss some of those problems.

After this introduction, in Section 2 I underscore the relevance of studies on top incomes for Latin American history and characterise their top methodological problem: the sources that they use. Because estimates of top income shares can be used as a proxy of power inequality, they can enrich our comprehension of the role of the elite in Latin America's economic development. However, the sort of fiscal statistics typically used capture only a few countries and sometimes only limited periods. Thus, as I argue, scholars should use dynamic social tables to produce new information. Despite the technique's many problems, some of which I discuss, using dynamic social tables is superior to the current alternative—that is, forgoing the study of high incomes' role in Latin American history altogether.

For decades, scholars have debated the characteristics of Latin American capitalism and its similarities and differences relative to capitalism in developed countries. In that debate, particularly during the second half of the 20th century, scholars coined the term *peripheral capitalism* to refer to a particular path of economic development characterised by structural heterogeneity, export specialisation in natural resource-intensive goods, and high income inequality (Prebisch, 1981; Rodríguez, 2006). Approaching Latin America's economic history from the framework of peripheral capitalism, however, has had important consequences for research on the long-term relationship between income inequality and development. Although the debate on the role of natural resources in economic development persists, it is undeniable that Latin America's economic history has been shaped by cycles of commodity prices (Bértola & Ocampo, 2012). As concerns income inequality, the most relevant questions are thus who benefits and who loses during those cycles. In Section 3, I thus address that problem and, in Section 4, exemplify it by examining the cases of Chile, Colombia, and Argentina. In Section 5, I close the paper with some final thoughts.

2. Methodological problems: From fiscal records to dynamic social tables

From classical development studies during the 1950s and 1960s to neo-institutionalism today, scholars from different traditions have highlighted the excessive power of elites as a major obstacle to Latin America's development (Acemoglu & Robinson, 2012; Prebisch, 1963). Although income and power are not synonymous, it can be expected that individuals who possess the first also possess the latter; thus, assuming an important overlap between the rich and the powerful is not especially risky. From there, as shown by Piketty (2001, 2019), Rodríguez Weber (2017c), and Souza (2018), among others, the economic resources in the hands of the ruling class, with estimated top income shares as their proxy, can provide useful insights into the vicissitudes of the group's social and political power. In turn, top income estimates can be pivotal to illuminating Latin America's development.

Unfortunately, the standard methodology based on income tax data can be used only for the few Latin American countries that have produced such sources at the national level.

Fortunately, however, analyses of such data with the methodology have already been done (Alvaredo, 2010; Burdín, Esponda, & Vigorito, 2014; Flores et al., 2020; Londoño Vélez, 2012; Souza, 2018). Thus, if top income studies are indeed relevant to improving current understandings of Latin American history but it is impossible to add new estimates using the standard methodology, then what can scholars do? The most viable option seems to be experimenting with new approaches, and, for that purpose, dynamic social tables seem to be the best approach.

Social tables have been used since the 17th century, often hailed as the golden age of political arithmetic. Gregory King and William Petty, who coined the term *social table*, used the approach to estimate the population, incomes, and other variables in 17th- and 18th-century England. In time, François Quesnay would do the same in the context of 18th-century France (Hoppit, 1996; Milanovic, 2015).

A social table is constructed by assigning earnings to different categories of income recipients, usually members of different occupations—for example, peasants, day labourers, shoemakers, landlords, teachers, low-skilled civil servants, high-skilled employees, engineers, and capitalists. Each category requires two sorts of data: how many people the category encompasses and how much they earn. Because the method is typically used to estimate income inequality at a specific point in time (Milanovic, 2006, 2015), studying the evolution of such inequality across time requires multiple social tables to be built for different benchmark years (Bértola, Castelnovo, Reis, & Willebald, 2006; Bértola, Castelnovo, Rodríguez Weber, & Willebald, 2010; Lindert & Williamson, 1982, 1983; Londoño, 1995). A dynamic social table, by contrast, estimates the number of income recipients and their earnings for each category for every year in a given period (Bértola, 2005; Gómez-León & de Jong, 2019; Lindert & Williamson, 2016; Rodríguez Weber, 2014, 2015, 2017b). In that period, the categories remain constant, but the number of people included in each and their incomes change every year. Figuratively speaking, if the use of different social tables enables the derivation of trends in income inequality from a set of still images, then a dynamic social table shows the entire film. Although social tables, whether static or dynamic, have been used primarily to estimate the Gini and other synthetic indices, they have sometimes also been used to estimate top income shares (Lindert & Williamson, 1983, 2016; Rodríguez Weber, 2014, 2015, 2017a, 2017b, 2017c).

The reliability and robustness of data regarding income inequality estimated by social tables depends critically on the quality of the sources. For example, because people in the same category are assumed to have equal earnings, social tables capture inequality only between categories. For that reason, the general rule for categories is the more, the better. Even then, the key factor is not how many categories are used but which ones. Although assuming only one category for unskilled day labourers in cities, who represent 20% of all income recipients, is not particularly problematic—we can be confident that any income differences between them are relatively slight—assuming a sole category of landowners, without regard to differences between ones with only one hectare of land and ones with ten thousand, *is* problematic. Thus, to disaggregate as many categories as possible formed by individuals who earn their income from property is far more important than doing so for unskilled workers.

Estimating different categories of capitalists or landowners sometimes requires making arbitrary assumptions. Although not ideal, making those multiple assumptions is more useful than assuming a mean income for a category whose members have known, sometimes vast differences between them. If making such assumptions is inevitable, then the realism of those assumptions matters. For that reason, profound knowledge of the historical context, usually based on qualitative sources, is crucial to producing valuable work.

Given the combination of various sources and the many assumptions that need to be made, the quality of data estimated by social tables is often worse than that offered by fiscal sources. Therefore, scholars should exercise caution when using such data, which are most useful for studying general trends of inequality—for example, between the 1930s and 1970s, when the top 1% income share rose in Colombia but fell in Chile (Rodríguez Weber, 2017a, 2017c).[1] By contrast, it is far riskier to use the data to compare levels of income inequality, especially in the short term.

In sum, although top income estimates based on fiscal data are preferable than those derived from social tables, the latter do offer some advantages. For one, they can provide information when fiscal sources are unavailable. For another, they cover entire populations. As such, social tables allow analysing income shares by comparing their long-term evolution with other personal or functional measures of income inequality such as the Gini index or labour or capital share. Social tables can also compare income shares across sectors, including, for example, the bottom 40% and the middle 50% of the distribution. Thus, unlike what studies based on fiscal sources have achieved, it is possible to establish who wins and who loses when the income share of the top 1% rises and falls. Such knowledge is critical in analysing the relationship between income inequality and development, for the same fall or rise in the top income share can and likely will have different political and social consequences depending on how it affects earners in the middle versus earners at the bottom. Put differently, though estimates from social tables are less precise than ones from fiscal data, they can sustain richer analyses of the dynamics of income inequality.

3. Some theoretical problems: Historical specificity, peripheral capitalism, and ground rent inflows

The oblivion of history is a distinctive feature of the discipline that neoclassical economists and other social scientists assumed throughout the 20th century (Hodgson, 2002). Nevertheless, in recent decades, the relevance of history has been rediscovered amid the historic turn made in the humanities and social sciences (Klein, 2017; McDonald, 2005),[2] often under the banner of "History matters". The political economic approach to understanding income inequality can be regarded as being part of that trend.

[1] Also see Section 4.

[2] Paradoxically, as Klein (2017) and others have argued, most historians, who emphasise the humanistic roots of history, have abandoned their commitment to fully integrate it into the social sciences. However, there is no good reason why historians should deny history's humanistic origin and renounce its legacy in order to recognise it as a social science. In fact, the political economic approach offers a good opportunity to reconcile both traditions.

However, taking that historic turn implies far more than merely admitting that history matters. It means that economic outcomes such as income inequality form part of a historical process, influenced not only by the sort of synchronous events that shape the sociopolitical context but also by the long-term trajectories along which those events occur. It thus means, for example, that inequality is influenced by formal and informal institutions just as much as by history; indeed, that dynamic is how those institutions first came into being. Or, as Marx famously wrote, "Men [and women, as we would say today] make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past". Such an approach demands analyses that combine generalisations with attention to historical specificities, on the one hand, and historical change with continuity on the other.[3] In Latin America, that sort of research has been promoted, among others, by scholars inspired by the structuralism of the UN Economic Commission for Latin America and the Caribbean, or "ECLAC" (Rodríguez, 2006).[4] In their view, history is so vital that they even dubbed their approach the "historical–structural method" (Sunkel & Paz, 1970).

ECLAC's structuralism should not be confused with dependency theory. Although both theoretical traditions view Latin America as existing on the periphery of the developed world and emphasise its peripheral status as driving its history, they have important differences in how they see the central features of development and how it is determined by the peripheral condition. Put briefly, whereas dependency theory views underdevelopment of peripheral regions as a result of the economic development occurring in core regions, thereby affirming the impossibility of capitalist development for the former, ECLAC's structuralism is confident that, despite characteristics that differentiate them from industrialised nations, Latin American countries can develop within capitalism if they follow certain policies. Both schools also differ in how they view the role of external sectors in economic development. Whereas dependency theory views them as the primary channel through which developed countries extract economic resources from the underdeveloped world, ECLAC's structuralism maintains that, if correctly oriented by the state, then external sectors can promote technological progress as well as economic development.

Because different regions of the world have different economic, political, and institutional trajectories over time, they differ in how their income inequality shapes and has been shaped by the entire development process. As such, historical specificities have to be considered, as demonstrated by the 21st-century rise in literature interested in the varieties of capitalism between developed countries (Hall & Soskice, 2013). Nevertheless, such literature is not the first to argue that capitalism, similar to ice cream, comes in different flavours. Half a century ago, in seeking to understand the similarities and differences between Latin America's economies and developed ones, ECLAC-oriented scholars elaborated the concepts of styles of development and the aforementioned peripheral capitalism (Aníbal Pinto, 1976; Anibal Pinto, 2008; Prebisch, 1963, 1981).

[3] Obviously, doing so is easier said than done.

[4] The trend also applies to economic historians inspired by Marxism and the Annales school (Bértola & Rodríguez Weber, 2016).

The overarching argument of such scholars was that different paths for transitioning to capitalism exist and that Western Europe's path was only one of many possibilities. Taking a different route, Latin American countries transitioned to peripheral capitalism, which resulted from the interaction of a colonial institutional legacy, partly transformed by the revolutionary cycle at the beginning of the 19th century, and export-led growth driven by globalisation after 1850. In the wake of those important transformations, the central features of peripheral capitalism have remained in the region since the 20th century, as described in the following.

- *Structural heterogeneity:* In peripheral capitalism, the workforce is formed of members of different economic strata with different levels of labour productivity, which is generally quite low among peasants and informal workers in the urban economy but higher among industry and service employees and increases in relation to firm size. Even higher productivity occurs in firms that produce goods for export, usually natural resource-intensive commodities. Structural heterogeneity implies some institutional mechanisms that hinder technological spillover between the different strata.
- *Trade specialisation in natural resource-intensive goods:* Because most firms with high labour productivity produce natural resource-intensive goods, exports have a marked bias towards commodities. However, such firms employ only a small fraction of the workforce and thus cannot absorb enough workers from other sectors to end structural heterogeneity.
- *Slow growth in productivity:* Because innovation is primarily driven by the industrial sector, whose technologically sophisticated goods have greater income elasticity of demand than natural resource-intensive goods, trade specialisation lowers the rate of economic growth in the long run.
- *High volatility:* Because commodity prices are far more volatile than those of industrial goods, Latin American economies are exposed to dramatic cycles of rises and falls in income flows originating in the export sector.
- *High asymmetry of power between social agents:* Since colonial times, the state has been the principal supporter of economic and social privileges rooted in class and race distinction. Those privileges are the bedrock of institutions that reinforce labour market stratification and heterogeneity in productivity. Thus, in most Latin American countries, having dark skin is highly correlated with low income and employment in the informal sector.

The concept of peripheral capitalism provides useful insights into the relationship between income inequality and economic development in Latin America and other developing regions. Structural heterogeneity, for example, is not only a major obstacle to growth in productivity but also has important consequences for the wage gap. Added to that, it reinforces race and gender inequality. Nevertheless, considering top income shares and their relationship with power, the productive structure and foreign trade specialisation are more important than structural heterogeneity.

Because food and other commodities such as minerals represent the lion's share of exported goods in Latin America, cycles in commodity prices have shaped the region's economic history. When export prices have risen, so has disposable income, and some people

have suddenly become rich,[5] especially because increases in export prices usually correlate with foreign capital inflows. However, when prices have dropped, sometimes rapidly, the region has suddenly become poorer, in a process typically exacerbated by capital outflows. All of those dynamics are relevant to inequality because gains and losses derived from commodity cycles are not equally distributed.

Thus, the crux of income inequality in Latin America is who becomes richer and who becomes poorer when exports prices rise and fall. Since exports are primarily natural resource-intensive goods, the usual answer, inspired by neoclassical economics, is landowners, including miners, who reap the rewards *and* suffer the loss. Because such individuals usually belong to the elite class, top income shares and overall income inequality should correlate with the price cycles of exports. However, as historians often say, things are more complex than that.

Assuming that miners and landowners are the principal beneficiaries and losers when commodity prices rise and fall is a good starting point. Nevertheless, natural resources can be in other hands, including those of the local elite. Even despite their property rights, however, other agents, including the state, can mobilise various mechanisms to appropriate a large share of ground rent inflows (Carrera, 2007). Thus, scholars would be mistaken in remaining confident only in market mechanisms to study how ground rents are distributed. Instead, each case needs to be analysed on its own terms with an eye for specific mechanisms, whether in the market or institutions, both formal and informal, that interact with the broader political process and ultimately determine the winners and losers of commodity price cycles. That need is especially evident because the same price cycles that feed booms and busts also incentivise competition for resources between social and political agents. Put differently, an event triggered by market forces—for instance, a rise or fall in export prices—can influence the political process in unpredictable ways, which consequently affects both economic growth and income distribution. Eventually, those economic outcomes also affect power relations in the social and political realm, hence the political economic approach's emphasis on the need for adequate knowledge of broader historical contexts to understand dynamics of income inequality over time. We should never forget that God, like the devil, resides in the details.

4. Ground rent and top incomes in Latin America: The cases of Chile, Colombia, and Argentina

Thus far, I have argued that, first, using top income shares as a proxy for elites' economic and political power can shed much-needed light on Latin America's development. Along similar lines, I have also argued that scholars should seek to estimate top incomes even when fiscal sources are unavailable and, to that end, have proposed dynamic social tables as the best approach currently available. Second, I have encouraged studies on the relationship between inequality and development in Latin America and other developing regions to consider the varieties of capitalism into which those regions transitioned during the 19th century. In particular, I made a case for applying the concept of peripheral capitalism as developed by ECLAC-oriented scholars, as well as highlighted the relevance of ground rent inflows in relation to top income shares within the broader context of political and economic

[5] Increased export prices usually correlate with a rise in foreign capital inflows.

regimes, which are partly shaped by power relations between the state, landowners, and other social classes. That conceptual framework especially suits the political economic approach, which has become the standard research strategy in the most influential studies on inequality during the last decade.

In this section, I exemplify both points with a historical analysis of three Latin American countries: Chile, Colombia, and Argentina. First, I demonstrate the relevance of foreign capital in the mining sector to income inequality in Chile during the nitrate boom in the late 19th century. Second, I compare how different political regimes have determined the ways in which ground rent inflows, increased by rising export prices, were distributed in Colombia and Argentina during and after World War II, which resulted in opposite trends in top income shares between both countries.

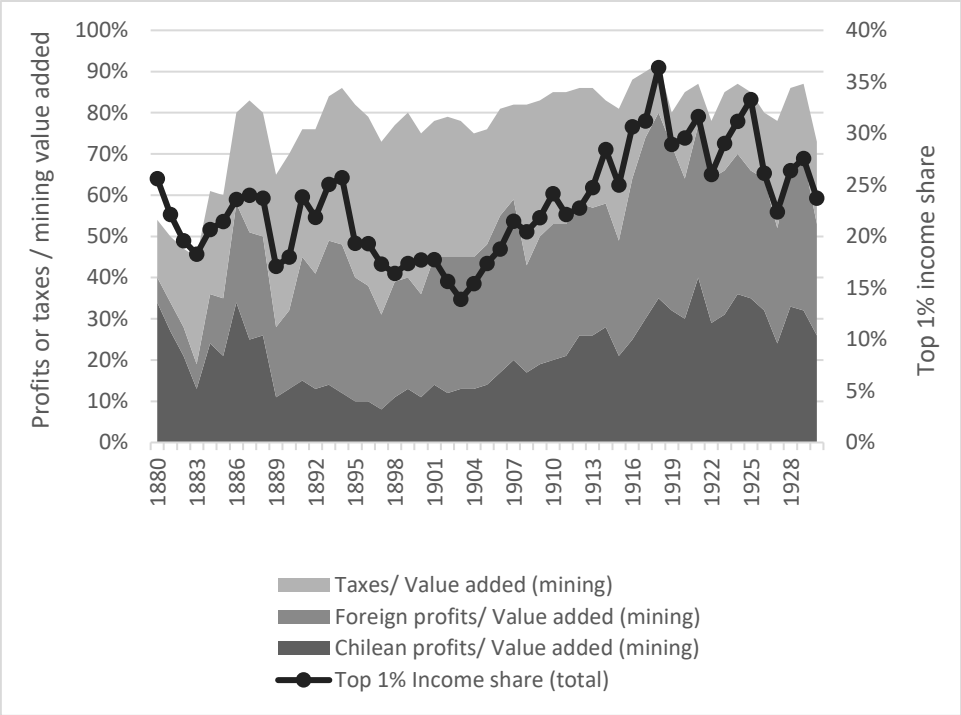
Recently, Piketty (Piketty, 2014, 2019) has identified foreign ownership of natural resources as a factor that partly determines income inequality and power relations, both within and between central and peripheral economies. In doing so, he has revived a central topic of classical development studies. The case of Chile's nitrate boom, between 1880 and 1913, exemplifies that topic's relevance when studying the history of income inequality.

After 1880, following its victory over Peru and Bolivia in the Pacific War, Chile gained control over nearly all natural nitrate fields in the world. That circumstance afforded the country a monopoly on the nitrate supply, at a time when demand for the resource rose due to its role as a raw material in the production of fertilisers and weapons. Who exactly gained control of the nitrate industry, how, and the way in which the trend undermined economic progress or not have thus become classic subjects in studies of Chile's and Latin America's economic development (Cardoso & Faletto, 1969; Aníbal Pinto, 1959), with consequences for income inequality analysed by Rodríguez Weber (2014, 2017b).

Initially, the nitrate industry remained in Chilean hands, and foreign profits were negligible. However, after 1885, foreign capital, primarily from Great Britain and Germany, seized control of the industry. Thus, during 1880–1884 and 1895–1899, Chilean profits fell from 24% to 10% of the value added in the mining sector, whereas foreign profits rose from 8% to 27%. Meanwhile, tax revenues also rose from 20% to 41% (Rodríguez Weber, 2014, Table AE 16). Moreover, as the Chilean elite lost control over the most important natural resource in their country, the income share of the top 1% fell (Rodríguez Weber, 2017b).[6] After 1900, by contrast, as local capital grew in importance (Soto Cárdenas, 1998), tax shares declined, and profits going to Chilean capitalists rose (Figure 1).

[6] By contrast, estimates of functional income distribution, which consider capital income both national and foreign, have shown a rise in capital share (Rodríguez Weber, 2014).

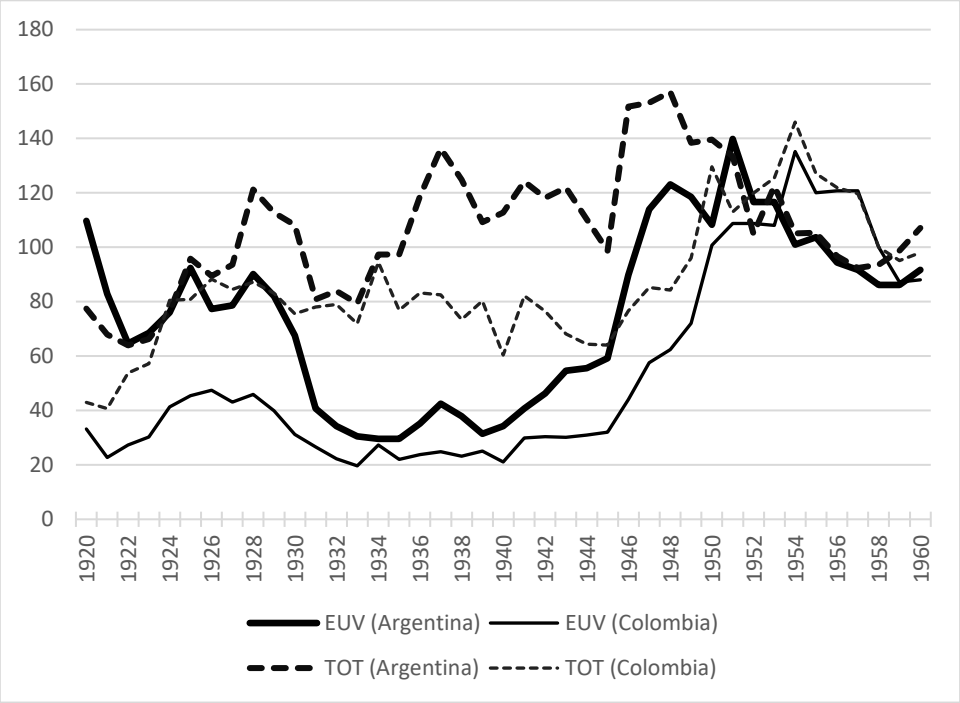
Figure 1: Nitrates earnings and top income share in Chile between 1880 and 1930



Sources: Rodríguez Weber (2014, Tables AE 3 and AE 16)

World War II and its aftermath seem to have been a good time for Argentina and Colombia. During those years, export prices rose, terms of trade improved, and both countries became richer (Figure 2), or at least the beneficiaries of increased ground rent inflows did. But who were those beneficiaries? Again, the standard neoclassical answer is landowners, whose lands facilitated the production of meat, wheat, and coffee. At the same time, landowners, or at least the major ones, had belonged to Latin America's ruling class—that is, the rich and the powerful—since colonial times. Thus, the boom in export prices should be expected to have enlarged their income share while strengthening their social and political power. Although that assumption is a good starting point for analysing income inequality dynamics, it should not be the conclusion until the evidence is examined in the light of general historical knowledge.

Figure 2: Export unit value (EUV) and terms of trade (TOT) indices (100 = 1970) for Argentina and Colombia between 1920 and 1960



Source: MOXLAD (http://moxlad.cienciassociales.edu.uy/en)

Figures 3 and 4 reveal that, despite similarities in increases in export prices and ground rent inflows, the top income shares experienced opposite trends in Argentina and Colombia. Whereas Argentina's ruling class seems to have lost ground precisely when export prices and ground rents were on top, trends in Colombia behaved as the standard hypothesis suggests—that is, rose jointly with ground rents and landowners' share of income in the elite class. Figure 4 also clearly shows that, in Argentina, the lion's share of ground rents did not enter the pockets of landowners. The reason why probably lies in differences between the political regimes in both countries, specifically regarding the presence or absence of populism.

The mid-20th century was the era of classical Latin American populism. Although an elusive concept, populism is a useful label for certain sorts of political regimes, especially when urban masses get involved in politics and the government ceases to be, at least in part, a gentlemen's club (Collier & Collier, 2002; Conniff, 1985, 2012; Germani, Di Tella, & Ianni, 1973). Thus, in many Latin American countries, classical populism can be seen as a way of transitioning from oligarchic republics to a new political regime that can be termed "low-intensity democracies".

Income redistribution has been hailed as the main economic goal of Latin American populism (Dornbusch & Edwards, 1991; Sachs, 1990; Skidmore, 1978). To that end, the populist governments of Argentina, Brazil, and Mexico, among others, relied on different institutional mechanisms to promote a new balance of power in society. Mid-century, those countries and others, including Chile and Uruguay, regulated the labour market in ways that increased the bargaining power of wage earners. The new rules—a minimum wage, the right of collective bargaining, and the affordance of social security—were reinforced by trade union expansion, a process that was favoured by populist governments that recognised the working

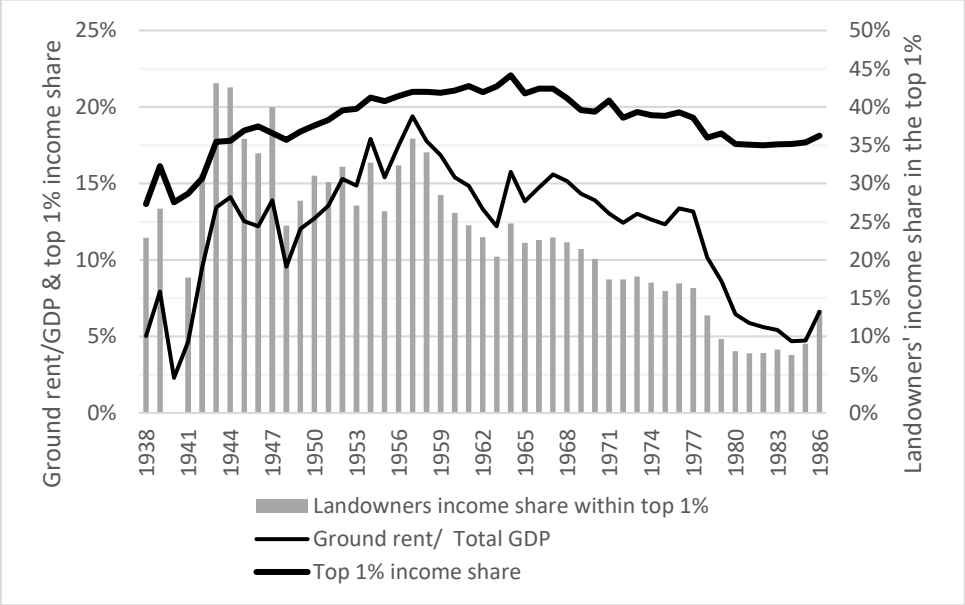
class as a relevant political actor. In many cases, governments used foreign income generated in the export sector to finance their social and redistributive policies. When commodity prices rose, they relied on mechanisms such as nationalisation, taxation, and/or multiple exchange rates to capture an increased share of ground rent inflows.

Although those policies affected the interests of the ruling class, they were only possible due to the strengthening of state leadership by oligarchic regimes during the 19th and early 20th centuries. As those empowered states became influenced by mass politics and democratisation, they were capable of enacting policies at the expense of the traditional elite and of undermining their power. Such was the case of Juan Perón in Argentina and Getúlio Vargas and his followers in Brazil until both populist regimes were overthrown by military coups in 1955 and 1964, respectively. Thus, an alliance between the ruling class, the military, and a part of the middle class ultimately set the limits of democracy (Rodríguez Weber, 2018; Sánchez-Ancochea, 2021; Souza, 2018).

In that context, Colombia stands out for its absence of populism. There, the state was weaker, and masses were incorporated into politics via clientelism, not populist policies (Robinson, 2007; Urrutia, 1991). As a result, the ruling class retained enough power to remain the top beneficiary when coffee prices rocketed from the mid-1940s to the mid-1950s (Rodríguez Weber, 2017a).

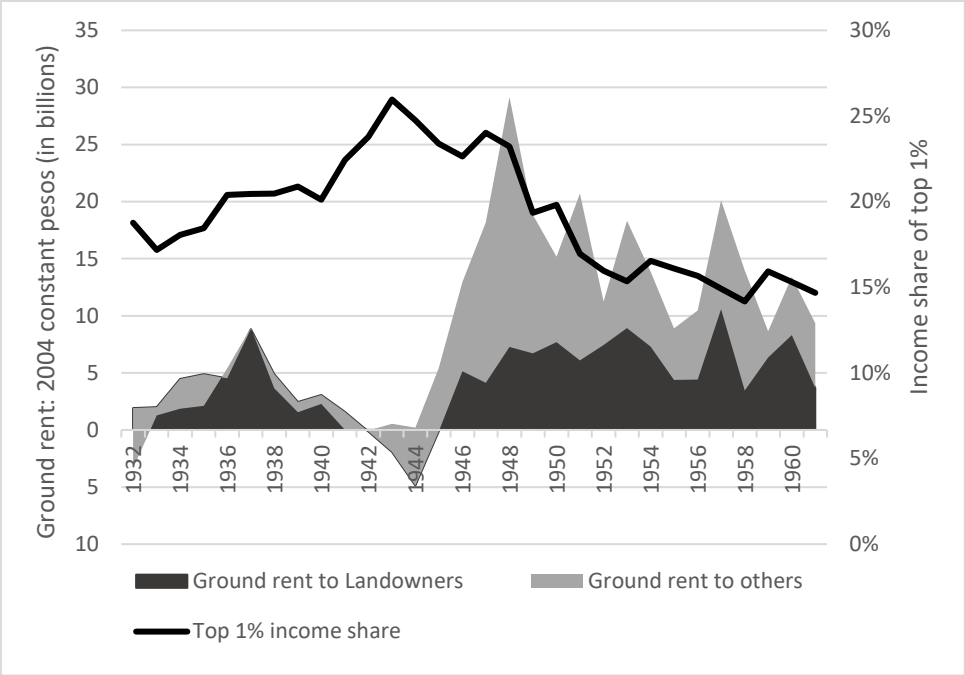
In sum, understanding those alternative ways of distributing income inflows from the export sector, to landowners in one case and urban masses in the other, can be pivotal in explaining different trends in income inequality in Colombia and Argentina (Rodríguez Weber, 2018).

Figure 3: Ground-rent, landowners, and the top 1% in Colombia, 1938–1986



Sources: Top 1% income share and landowners' income within it (Rodríguez Weber (2017a), with ground rent as a percentage of total GDP (Londoño (1995)

Figure 4: Ground rent distribution and top 1% income share in Argentina, 1932–1960



Sources: "Ground-Rent to Landowners and Others" (Carrera (2007), "Top 1% Income Share" (Alvaredo (2010)

4. Final thoughts

Latin America's history of income inequality has been determined by the development of peripheral capitalism. Over time, economic cycles, most of them stemming from changing conditions in external sectors, generated winners and losers. More precisely, the volatility that affected income distribution partly depended on an institutional framework shaped by history. Thus, although the transition to peripheral capitalism can be dated to the 19th century, most of its features resulted from past experience.

Of course, institutions did not remain unchanged. The liberal reforms of the mid-19th century and the expansion of workers' rights and democratisation in the 20th century did not happen in vain. Although those changes had consequences for the history of inequality, some institutions with colonial roots, including elite power, racism, and landownership, are crucial to understanding inequality history up to the present. At the same time, income and capital flows associated with ups and downs in export prices are a novelty introduced during the so-called "first globalisation". Together with institutions, those cycles provide the key to understand Latin America's development and its relationship with the history of economic inequality.

Top income shares can afford important insights into that process. During the past five decades, if not more, different theoretical traditions have pinpointed to the excessive power of the elite as a central feature of Latin American history, as well as a persistent obstacle to the region's economic development. Because the rich and the powerful typically belong to the same class—the ruling class—assuming that the elite's income shares over time, with the top 1% used as their proxy, can contribute to understanding the role of power relations in Latin America's development is a sound hypothesis and a ripe argument to develop via historical

analysis, though few studies have done so. Those reasons explain why estimating top income shares is critical and why neglecting to do so should not be an option.

Producing estimates that can provide such useful information requires scholars to adopt research strategies that do not rely on fiscal records. Those sorts of sources for Latin American countries are scarce, and the ones that are available have already been extensively probed. Because it is therefore impossible to conduct new research on that basis, the best alternative, in my view, is using dynamic social tables.

As any methodological tool, dynamic social tables have their pros and cons. Added to the fact that they can be used when fiscal sources cannot, their chief advantage is that they cover entire populations and therefore can provide support for richer historical analyses than ones based purely on high incomes. Their chief disadvantage, however, is the need to combine sources of different origins and with many assumptions of varying quality, some of which are quite arbitrary. Therefore, it is crucial to be cautious with the information that they provide, and bold conclusions should be avoided. Against that trend, deep knowledge of broader historical contexts can prevent major errors in interpreting those sources, or at least I hope so.

A central reason why elites have been so powerful throughout Latin American history is their ownership of land. During colonial times, land afforded control over men and economic resources. Even today, landownership sustains the political and economic power of an important segment of the ruling class. Due to the varieties of capitalism to which Latin American countries transitioned in the 19th century, land also afforded control over the core of economic relations between the region and abroad: the production of natural resource-intensive goods for export.

Latin America's economic history has been shaped by the vicissitudes of its export sector. By turns, commodity price cycles have made the region suddenly poor and suddenly rich. Because rises and falls in ground rent inflows have not been equally distributed, they have been crucial to economic and power relations throughout history. In some periods and countries, such income went into the pockets of the ruling class. In others, it went to foreign capital owners or was captured by the state and redistributed among the urban masses. In any case, they have always influenced the relationship between inequality and development. Surely, the same has transpired in other developing regions.

Last, using top income estimates as input for analysis focused on power relations between the ruling class and other social agents—peasants, urban middle classes, or the labour movement, to name a few—calls for an approach that goes beyond market forces. Different dimensions of social life have to be considered together with historical specificities and timing—that is, how the *longue durée* is articulated into midterm processes, critical junctures, and events. In other words, analysing historical changes in the economy, politics, and social relations, in interaction with what remains nearly constant across decades or even centuries, should become the core of the political economic approach to understanding inequality.

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