

Social Policy and Income Inequality in the Southern Cone during the 20th Century: A Comparative Perspective

Andrés BIEHL LUNDBERG

Word Count: 90,543

Thesis submitted to

University of Oxford

in partial fulfilment for the award of the degree of

Doctor of Philosophy in Sociology

Department of Sociology

Manor Road Building

Manor Road, Oxford

Abstract

This dissertation compares the effects of progressive social reform on income inequality in the Southern Cone of South America, Scandinavia, and Australasia. These regions faced comparable economic challenges at the start of the 20th century, but experienced different trends of income inequality after they introduced progressive policies in this period. Australasia and Scandinavia converged on a downward trend while the Southern Cone remained comparatively more unequal. The dissertation concentrates on three areas that significantly predict inequality in contemporary research: labour markets, education, and taxation and spending policies. Existing explanations usually focus on supply-side aspects of policy reform: wage regulation, and increased taxation and spending on education and social insurance, are thought to bring inequality down in the long-run. These reforms are seen as the outcome of the relative power of working class groups over elites. Despite institutional variation, the three regions enacted progressive policies to address distributional conflict and protect their economies from global risks. I study the demand-side of policy reform; policies faced considerable collective action problems to promote compliance and cooperation in order to work in the long-time and include populations at large. The fact that most people were motivated to comply meant that labour markets generated formality and standard wages, education increased human capital, and spending became stable as the tax base increased in Scandinavia and the Antipodes. The opposite happened in the Southern Cone as social actors tried to link selectively with the state while state officials neglected the material constraints that limited access to welfare and education. Each chapter spells out the conditions through which policy addressed collective action problems to motivate cooperation with wage agreements, sending children to school, and compliance with taxation and spending policies. Behind comparable aggregate numbers in these areas, the underlying social processes differed as Australasians and Scandinavians fostered cooperation between state and social actors, while the Southern Cone did not.

Acknowledgments

My life as a graduate student profited from the encouragement of a supportive community. My first debt of gratitude is to Tak Wing Chan who guided me through the complexities of writing a doctoral dissertation and stiffened my backbone when the scope and ambition of this project began to grow. His patience was exemplary. As assessors, Michael Biggs and Leigh Payne offered valuable criticism which helped to strengthen the structure of the argument. Miguel Angel Centeno and Guillermo Montt gave essential feedback when this project was but just an idea. Per Block, Jon Mellon, Kieron Barclay, Brian Tuohy, Andrea Canales, John Menzies, and German Vera-Concha provided a varied and vivid company to test many of the ideas that animated this project. This dissertation is dedicated to Jacinta in gratitude for being a constant source of inspiration and her unflinching belief in this work.

I wish to acknowledge CONICYT for financial support.

Contents

	Page
1 Introduction	9
1.1 Comparative Puzzles	9
1.2 Analytical strategy	13
1.3 Explanations and the argument	22
1.4 Organisation of chapters	54
1.5 Limitations and future steps	57
2 Income Inequality	59
2.1 Introduction	59
2.2 Historical legacies	61
2.3 The rich	68
2.4 Workers and middle classes: evidence from the labour market	72
2.5 Demographic profiles and inequality	81
2.6 Summary	89
3 Setting the Price of Labour	91
3.1 Introduction	91
3.2 Wage coordination and income inequality	94
3.3 From distributional conflict to wage-setting mechanisms	98
3.4 Three forms of wage coordination	105
3.5 Discussion: collective capacities and comparative outcomes	137

4	Cultivating Individual Resources	147
4.1	Introduction	147
4.2	Education, human capital and inequality	150
4.3	What explains provision?	158
4.4	What explains inclusion?	175
4.5	Discussion	198
5	Taxing and Rewarding	201
5.1	Introduction	201
5.2	Taxation, Social Spending, and Inequality	204
5.3	Taxation: sharing obligations	213
5.4	Social spending: sharing benefits?	237
5.5	Discussion	245
6	Conclusions: Persistent inequality	249
6.1	Current challenges	249
6.2	Legacies of social reform	256
6.3	Markets and Politics in a Global World	262
	References	320

List of Figures

2.1	Gini coefficient of land holdings	64
2.2	Top 1 percent share of national income in Argentina, Australia, and Sweden, 1900-2000.	69
2.3	Resident billionaires per million population in 2014.	71
2.4	Theil coefficient of industrial wage inequality (x 100)	75
2.5	Distribution of wages among male employees, 1950-2000	77
2.6	Lorenz curve of male hourly wages in Argentina, Chile, and Uruguay. .	80
2.7	Crude birth rates per 1000 population	83
2.8	Percentage of population in each age bracket in the Southern Cone, c.1920-c.1950	84
2.9	Percentage of population in each age bracket in Australasia, c.1920-c.1950	85
2.10	Percentage of population in each age bracket in Scandinavia, c.1920-c.1950	86
2.11	Yearly percentage change of GDP minus yearly percentage change of population (10 year averages)	87
2.12	Women in work as a percentage of total labour force	88
3.1	Workers in manufacture and construction of total workforce.	100
3.2	Days of work lost to industrial action (strikes and lockouts) in thousands	102
3.3	Ratio of value added to total wages in textile industry	143

3.4	Trade openness (imports + exports as a share of GDP) 5-year moving average	144
4.1	Primary school enrolment for every 1000 children aged 5-14, 1900-1960	152
4.2	GDP per active worker (log scale)	155
4.3	Public expenditure in education (all levels) as percentage of GDP	170
4.4	Educational attainment of wage earners aged 30 to 65	182
5.1	Tax revenue as percentage of GDP in Australasia, Scandinavia, and the Southern Cone	210
5.2	Social spending (education, health, welfare) as percentage of GDP in Australasia, Scandinavia, and the Southern Cone.	211
5.3	Direct (income and property) taxes as percentage of total state revenue.	215
5.4	Sales taxes and tariffs as percentage of total state revenue.	217
5.5	Percentage change in consumer prices (five-year moving average)	235

List of Tables

1.1	Country characteristics <i>circa</i> 1910	16
1.2	Democratic reforms, 1800s-1920s	32
1.3	Democratic participation, 1800s-1920s	34
1.4	Characteristics of political competition in Australasia, 1910-1950	36
1.5	Characteristics of political competition in Scandinavia, 1910-1950	37
1.6	Characteristics of political competition in the Southern Cone, 1910-1950	40
1.7	The comparative puzzle	46
2.1	Top 1% of national income, selected years	70
3.1	Early systems of coordination, between <i>circa</i> 1920s-1970s	139
3.2	Union density of working population, 1930-1990	140
4.1	Education achievement and monetary returns to university education in the late 2000s	153
4.2	Legal milestones in the provision of public elementary education	167
4.3	Total expenditures per enrolled in primary education in US dollars of the time	172
4.4	Enrolments in secondary and tertiary education by age group, c.1900- 1930	174
4.5	Primary school teachers per 1000 enrolled students	191
4.6	Demography and health in the early and mid 1900s	194

5.1	Gini coefficient of household income distribution before and after taxes and social spending in 2009	205
5.2	Main features of income taxation	216
5.3	Year of first social insurance programs before 1950	239
5.4	Approximate percentage of pensioners receiving an old-age pension in 1950 and approximate percentage of working population enrolled in social insurance	242
5.5	Pattern of funding and spending on pensions and education	246
6.1	Social and economic conditions in the late 2000s	251
6.2	Models of social policy between 1920s and 1970s	256

Chapter 1: Introduction

1.1 Comparative Puzzles

In the first half of the 20th century, the countries of the Southern Cone of South America – Argentina, Chile, and Uruguay – , Scandinavia – Denmark, Norway, and Sweden – , and the Antipodes – Australia and New Zealand – , embarked on a series of progressive social policies that regulated labour markets, expanded public education, and increased taxation and social spending, but began to follow different trends of income inequality. In Scandinavia and Australasia inequality dropped steadily (with some minor breaks) up to the late 1970s; in the Southern Cone it fluctuated with periods of both sudden growth and decline, and remained a constant feature of its societies. The fact that all these countries faced similar economic challenges while political relations changed with the growth of the middle class and the expansion of democracy, renders the variety of welfare reform and long-term distributional outcomes all the more puzzling. Why did Scandinavia, Australia, and New Zealand become relatively egalitarian societies while the countries of the Southern Cone remained comparatively more unequal?

The historical riddle lingers in the present as we see inequality rise in most of the West and, arguably, drop in Latin America. The surge of income and wealth disparities in the United States and other donor countries in the past 40 years has revealed a number of issues that a sociological review described as the “most pressing” regarding inequality’s consequences (Neckerman and Torche, 2007, 350). Low levels of inequality are thought

to improve economic and political performance, and to sustain social cohesion over time (cf. Thorbecke and Charumilind, 2002; OECD, 2015). However, the subject's increased popularity has not diminished critical problems of definition and measurement. With access to individual-level information through social surveys, a vast amount of research has documented patterns of income and wealth distribution and elaborated on their determinants. But concern over the long-term has inspired work that relies on aggregate material and a number of proxies (e.g. health, height, education) to discover the social inequalities of the past and their impact on the present. The empirical gap leads to a conceptual gap between contemporary and historical explanations: the latter measure inequality through the effects that the former attribute to income inequality itself (e.g. differences in height). The likely consequences of income concentration require a comprehensive understanding of the political and economic processes that originated diverse national trajectories.

My objective is to understand why progressive policies can be associated with opposite distributional outcomes: high and low inequality. This dissertation studies three puzzles that illuminate the effect of progressive reform on the distribution of income. The first concerns the similitude of the Antipodes and the Nordic countries: despite policy variation, under what conditions did their reforms work to make both regions converge on a downward trend of inequality for most of the 20th century? The second concerns Southern Cone divergence: under what conditions did their reforms set them in a different trajectory? A third concerns the convergence of countries within each region, particularly within the Southern Cone where countries enacted different types of policies and yet converged in a similar unstable distributional trend for the rest of the century. The main insight coming from this study is that we cannot understand the long-term dispersion of income independently of the distributional conflicts that these policies tried to contain. They gave rise to different patterns of interaction between social actors which faced a variety of challenges to promote cooperation and compliance

among them.

Different measures of inequality and social mobility add multiple nuances to economic and social processes. This dissertation refers to data on inequality as the dispersion of the monetary earnings of either individuals or families (chapter 2). I leave aside, for the most part, the important issue of wealth disparities and returns to capital which are found to be equally large in most countries (and larger than income inequalities) (Piketty, 2000; Neckerman and Torche, 2007). In this way, the dissertation zooms into just one aspect of stratification which is affected by welfare policies. I define progressive social policy as a set of political measures intended to alter the distribution of income in favour of the poor, either by redistributing income or providing public goods from which they benefit proportionally more than the rich. Alternative, regressive policies limit redistribution and the provision of public goods. I break the analysis in three areas that significantly predict inequality in contemporary research: (1) labour markets, (2) education, and (3) taxation and social spending. Each area has its own large body of specialised literature, but reforms in the three interacted as policy makers attempted to improve economic opportunity and reduce social conflicts.

As with any dissertation trying to make sense of historical patterns, this one navigates through a set of highly general explanations. Understandably, research on historical inequalities usually concentrates on the effects of aggregate phenomena (e.g. globalisation) or on the influence of political forces (e.g. the correlation of left-wing coalitions and welfare states). This is only natural because that is what we can observe: we often have access to country-level and not individual-level information. In addition to the numbers, we also have the words of political actors so we can assume a fit between norms and actions. Today, for instance, we have come to regard the Scandinavian Welfare states and the Australasian “social laboratories”¹ as triumphs of the forward-looking left and working classes while the Southern Cone as perhaps not a

¹See Castles (2003).

failure, considering the wider Latin American situation, but certainly as a disappointment of backward-looking elites. Hence, policies to counteract exogenous forces (e.g. globalisation) or shape endogenous institutions (e.g. unions) can be seen as the result of the relative power of social actors. But if the explanatory mechanism is simply that the relative power and resources of organised groups (e.g. capital or labour) translates into a coherent set of policies and institutions which are chosen for their distributive consequences (e.g. Acemoglu et al., 2005, 446), then we have a problem. First, policies and institutions were more likely the contingent outcome of various struggles fought at different levels rather than the implementation of perfect, coherent, plans. Second, the puzzle lies precisely in the fact that progressive policies were enacted in the three regions, around the same period, regardless variation in political institutions, norms, and power concentration. The assumption of coherent groups pursuing consistent objectives leaves in the dark questions on the capacity to organise and to achieve sustained action between and within groups. Policies were clearly not only chosen for their distributive consequences as they also sought to minimise conflict, reduce economic risks, gain legitimacy, conform with public discourses, and boost political support. This calls for an explanation of the social processes at stake which acknowledges the limitation of aggregate data. For instance, what actions at a granular level are being aggregated in the observed data (e.g. union rates, industrial inequalities, and levels of social expenditure)? This dissertation aims to show that the link between power and inequality is far more complex than a zero-sum game between distinct coherent and self-interested groups. The case-selection questions the vague determinism underlying self-interest, coherent policies, and distributional outcomes. We now turn to the cases.

1.2 Analytical strategy

1.2.1 Cases and time period

To understand the association between progressive social policies and inequality, we need to study cases that introduced progressive policies around the same time and where outcomes varied. In that respect, Latin American countries have become a favourite set of cases to study the persistence of all sorts of economic and political inequalities that underpin the region's many social problems (cf. Fukuyama, 2008; de Ferranti et al., 2004; Hoffman and Centeno, 2003; Adelman, 1999b). Underlying most of these studies, the sensation is that inequalities remain due to a lack of will or the prevalence of backward interests. Within Latin America, however, the Southern Cone cases provide a good group to test this association as the subregion introduced welfare reform early in the 20th century but inequality has proved difficult to redress. But in order to say something meaningful about the rationality behind policy reform and inequality, this dissertation also needs cases where progressive policies were associated with a steady decline of inequality. The countries of Scandinavia and Australasia provide such cases and add the complexities of their own contexts and reforms.

Work on these three regions often entails establishing a similar benchmark for comparison before explaining variation in development by paying attention to one key variable. Argentina and Uruguay are usually paired with Australia and New Zealand, given their traditional economic activities and levels of GDP at the beginning of the 20th century, to explain their divergent fortunes due to institutional design, respect for property rights, political cultures, or position in the global economy (e.g. di Tella and Platt, 1985; Álvarez et al., 2010). Buchanan and Nicholls (2003) employed the similar economic structures of Australia-Chile and New-Zealand-Uruguay, together with their historical situation as “small open democracies”, to stress differences in labour market

rules and institutions.² Argentina and Uruguay (and sometimes Chile) are also compared to Australia and New Zealand as settler societies (Denoon, 1983).³ In addition, Latin American countries have more generally been compared to Scandinavia given their economies' historical reliance on natural resources to explain divergence due to economic policy (Blomström and Meller, 1991). Comparisons with Scandinavia also establish a shared benchmark in economic development at the beginning of the 20th century to explain the evolution of the economy in terms of human capital accumulation (Lingarde and Tylecote, 1999) or reproductive behaviour (Valenzuela, 2011). In sum, past research often concentrates on economic similarities to explain divergence in economic development as a result of one set of key variables that evolved in a clearly dissimilar way.

I follow in this tradition with two important caveats. First, I take the sub-regions rather than just the countries within them to allow for more variation in policy design and outcomes. Second, I relax the comparative benchmark acknowledging more variation in initial conditions. In addition, rather than development, I concentrate on income inequality – an issue that is likely to have constrained growth and development, but are not my main concern. I focus on this period not only because economic conditions were more comparable in the first rather than the second half of the century, but because this was the main period of policy innovation. Further, in order to observe crucial aspects of the different logics of policy reform, the dissertation also zooms into the second half of the century, a period where these policies were deepened and inequality trends further diverged. The analysis is meant to illustrate the path-dependency that these logics, bred in the first half of the century, originated over the rest of the period.

To claim that economic conditions were more comparable at the beginning rather than

²Senghaas (1985), for instance, offers a triangulation and compares Uruguay to Denmark and New Zealand to rule out the dependency thesis for Uruguay's stagnant development.

³Argentina has recently been used as a comparison to illuminate the pattern of rapid settlement among "Anglo" countries (Belich, 2010, 2011).

at the end of the century across the three regions is not to say that countries or regions were identical. Although these numbers should be treated with care and only as approximations, table 1.1 shows important variation and clusters. In terms of GDP per capita, Australia, New Zealand, Argentina, and Denmark were richer; Chile, Sweden and Uruguay were in the middle; and Norway was poorer. Antipodeans, Danish, and Uruguayans were more urban and their populations less likely to work in agriculture than the rest. There are marked contrasts in literacy and life expectancy between the Australasian-Scandinavian block and the Southern Cone, two variables that are used to explain their divergent patterns of development and which I analyse in chapter 4 with regards to inequality.

There is no perfect match across countries. However, as regions they share some interesting similarities underpinning these aggregate numbers. What makes the comparison interesting is that (1) all of these countries faced challenges from the periphery of international markets as they relied on the production and export of pastoral and mineral goods; (2) they were small, open economies; (3) they enacted progressive reforms during this period, often as pressure from working class groups and social conflict mounted; (4) and that their labour force was highly migrant (across occupations and between rural and urban activities) which constrained its capacity to save towards social security when faced with uncertainty. In addition, the patterns of social stratification were likely to be more visible than today as they often exhibited signs of feudal or colonial heritage; inherited wealth could easily be converted into economic opportunity.⁴ Strategies to contain the ensuing distributional conflicts and global uncertainty were carried into the second half of the century thus affecting inequality in the long-run.

In terms of the observed outcome, the evolution of inequality, I will argue in chapter 2 that we can place these countries in two broad groups: those who experienced a sys-

⁴Borrowing an expression from Mark Twain, the period is often described as a “Gilded Age” as global trade and economic expansion created new and reinforced old inequalities.

Table 1.1: Country characteristics *circa* 1910

	<i>GDP per capita</i>	<i>Urban population</i>	<i>Workforce in agriculture</i>	<i>Trade</i>	<i>Literacy</i>	<i>Life expectancy</i>
Argentina	3,822	53	35	50	60	44
Chile	3,000	43	38	42	53	30
Uruguay	3,136	76	26	45	65	52
Australia	5,210	62	30	45	>90	57
New Zealand	5,316	50	21	44	>90	60
Denmark	3,705	60	43	55	>90	58
Norway	2,186	28	39	48	>90	58
Sweden	2,980	24	46	35	>90	58

- *Sources and notes:*

- GDP *per capita* in 1990 International Geary-Khamis dollars (Maddison, 2003).
- Urban population is the percentage of population living in cities (or towns in the case of Nordic countries). National definitions vary. Figures for Argentina correspond to 1914 (MOxLAD, 2011), for Chile to 1907 (Díaz et al., 2010), and for Uruguay to 1908 (Nahum, 2007a); for Australia to 1920 and calculated for cities above 3000 (Commonwealth Bureau of Census and Statistics, 1921). Figures for New Zealand are from Statistics New Zealand (2012); for Scandinavia figures are given for towns above 2000 people in Flora et al. (1987).
- Percentage of labour employed in agriculture: data for Argentina in MOxLAD (2011), for Uruguay in Nahum (2007a), for Chile in Díaz et al. (2010); for Australia in Palgrave Macmillan Ltd (2013), for New Zealand in Statistics New Zealand (2012); for Scandinavia in Flora et al. (1987).
- Trade openness is the sum of imports and exports as a percentage of GDP. Figure for Argentina is calculated from Véganzonès and Winograd (1997); for Chile from Díaz et al. (2010); and for Uruguay from Universidad de la República (2014) for 1913. The Australian figure is for 1900-1 and taken from Attard (2012). The figure for New Zealand is calculated from Statistics New Zealand (2012). Scandinavian figures are calculated from Palgrave Macmillan Ltd (2013).
- Literacy figures are the percentage of people who can read and write from above 15 years-old. Data for the Southern Cone are from MOxLAD (2011). Figures for all other countries are thought to be above 90: literacy was thought to be so widespread that national censuses stopped asking the question from the late 19th century (UNESCO, 1953). See chapter 4.
- Life expectancy at birth for the Southern Cone is taken from MOxLAD (2011). Data for Australia and New Zealand are from Australian Institute of Health and Welfare (2013) and Statistics New Zealand (2012). Scandinavian figures come from Wilmoth and Shkolnikov (2013).

tematic downward trend of income inequalities between the First World War and the late 1970s,⁵ and those who did not. In the first group we find Antipodeans and Scandi-

⁵The “Great Levelling” (Williamson, 2015).

navians while the Southern Cone falls in the second.⁶ Inside each group we have some variation as I will later explain. Australasians might have begun the 20th century with less inequality than Scandinavia, but they also experienced a sudden but brief increase in the aftermath of the Second World War. Inside the Southern Cone, Chile is often regarded as the more unequal of the three in absolute terms. But the three Southern Cone countries experienced an unstable trend of sudden growth and decline with no apparent change in their overall levels of inequality. Zooming inside each country, inequality might have been driven by certain geographical areas. In the Southern Cone for instance, most quantitative information on wages comes from urban centres and larger firms or industries. Hence, unobserved inequality in rural areas and informal sectors are excluded statistically and might bias our estimates. This dissertation deals both with the generic regional patterns, between-regional variation, and within regional variation.

1.2.2 Comparative historical analysis

This dissertation is about the persistence of inequality in the Southern Cone, which poses a number of riddles when analysed against theoretical predictions and compared to regions facing similar challenges at the start of the 20th century. The comparative setting will allow us to understand why the trend of declining inequality converged between Australasia and Scandinavia, and why the Southern Cone remained more unequal.

Comparative historical research has gained currency in the social sciences to explain long-term variation in economic development and political institutions (cf. Diamond and Robinson, 2010; Fukuyama, 2012). Comparative questions help formulate testable processes or mechanisms to explain differences and similarities in observable social

⁶Following Ragin (2008), we could speak of the first group as having fuzzy membership in the set of nations that reduced inequality over the 20th century above .75, while the second as one with a membership below .5.

outcomes (Tilly, 1997). To deal with these puzzles, the comparison is of necessity both quantitative and historical. Quantitative material allows the tracking of inequality over time. But given the small number of cases and problems of data comparability, statistical methods are not enough to model inequality and unpack the historical process. More importantly, I would need access to individual-level data which are simply not available for the period. Standard quantitative models for historical inequality would derive aggregate outcomes from other aggregate variables (e.g. economic growth, inflation, union density) without paying attention to the micro-dynamics that could potentially affect all of them and which would advise the adoption of a complementary narrative strategy.

Students of comparative methods often select cases by criteria of agreement and disagreement following John Stuart Mill's comparative logic. Ideally one would have similar cases that disagreed in a relevant outcome and dissimilar cases that converged in the outcome.⁷ This strategy requires spelling out the initial conditions of the cases and selecting an explanatory variable. For our purposes, the case selection would depend on what we consider to be similar and dissimilar. For instance, one could set this study as a comparison between just three countries: Chile, Sweden, and New Zealand. We would still look at the convergence of low inequality between Sweden and New Zealand, leaving Chile as a divergent case. If we matched countries due to their economic structure and levels of GDP per capita, we would follow a method of difference (variation in inequality) and deep analogy when comparing Chile to Sweden (as GDP per capita and economic structure converge), but would apply a method of agreement (low inequality) and most different cases when comparing Sweden to New Zealand. However, if we had attempted to explain inequality as a result of economic processes given cultural heritages, we would have ended with a deep analogy between Sweden and New Zealand (e.g. Protestantism), and a most different strategy comparing them

⁷See Gerring (2007), and for an application López-Alves (2000).

to Chile (e.g. Catholicism). In the first scenario, economic structure matches Chile to Sweden, and separates Sweden from New Zealand; in the second, cultural conditions match Sweden to New Zealand, and separate Sweden from Chile.

A recent possibility for case selection is to construct a synthetic or counter-factual case to compare the evolution of a relevant outcome (Abadie et al., 2014). The aim here is to build a synthetic case that resembles the case of interest: the counter-factual case will be a weight or a synthesis of a sample of cases that resemble the case of interest after fitting a model to explain the dependent variable (for instance, a synthetic case for West Germany from a pool of OECD countries to test the effect of reunification with East Germany (Abadie et al., 2014), or a synthetic case for each European country to estimate the effects of leaving the European Union (Campos et al., 2014)). In this method, the case selection is given by the weight of each case in the synthetic measure. So for instance, if we constructed a counter-factual case for a Southern Cone country in which Scandinavian and Australasian countries weight significantly, we would have good reasons to conduct a more qualitative-oriented comparison between them. However, to estimate a synthetic measure one needs longitudinal data at the country level. Unfortunately, such a panel for inequality in the late 19th century and early 20th century does not exist for a large pool of countries (necessary to estimate a model), and many of the predictors one needs (e.g. social spending) are also unavailable on a yearly basis. In addition, all our cases experienced the “treatment” of progressive reforms in the early 20th century, so the estimation of the subsequent effects would not answer our research question: we would estimate what would have happened in the Southern Cone without the existence of progressive policies. It would likely result in inequality increasing (as it did with liberal reform in the 1970s and early 1980s) but would not allow us to understand why it did not decrease steadily as it did in the other two regions.

In the same vein, setting the comparison through qualitative causal analysis (QCA) following Ragin (2008) would also miss the scope of this study. I employed this language

before to illustrate the case selection: the observed outcome varies between the Southern Cone and the Scandinavia/Australasia block. But fitting a causal recipe through a calibration of the explanatory variables poses some problems. As more quantitative-oriented studies, QCA focuses on the explanatory variables of a model rather than on the cases, assuming a deterministic ontology (cf. Lucas and Szatrowski, 2014). One of the strengths of QCA is that it aims to offer a complete account of the outcome we observe rather than estimate population average effects. This dissertation in fact, attempts to answer why similar variables that are correlated with less inequality behaved so differently in diverse national settings. However, instead of assuming a determined outcome, this dissertation assumes that inequality resulted from contingent processes and that aggregate information hides multiple choices at the social and individual levels. QCA is thus not the best tool when trying to explain why the same variables are correlated with different outcomes.

Despite the problems highlighted by the previous discussion, comparative research is the best available tool to account for the puzzle we have, provided we focus on the process rather than on the variables or the cases (Tilly, 1997). It is particularly apt as our cases offer spatial and temporal variation, and because this dissertation is concerned with generating rather than testing hypotheses about inequality (e.g. not to compute the effect of a particular policy but to ask why a similar policy could operate and produce different outcomes). It aims to offer insight into the processes that affected the three regions as they built their modern labour markets, education systems, and welfare schemes.⁸

Naturally, this methodological solution is not without its problems. To the issue of data comparability, particularly sensitive in historical analysis (Goldthorpe, 1991), which I discuss in the next section, there could be clear problems of endogeneity that affect

⁸See Gerring (2007, 38-39). In essence, the method is taking us one step back: what predicts or explains the predictors?

causal inference. Cases within regions are not independent of each other; they were “generated” by the same regional processes (Goldthorpe, 1997). Scandinavian nations gained common institutions arguably before the Kalmar Union (1397); Australia and New Zealand were British colonies, later dominions, and New Zealand seriously considered federation with Australia in 1901; and the Southern Cone nations were part of the Spanish empire until independence in the early 19th century. One common solution, would be to select representative cases in each region. But that would entail knowing a sample of nations where these representative cases could be drawn from. Another option is to use one case in each region as an “ideal” type. But to select an ideal case is also a problematic as I would have to select on the dependent variable while leaving intra-regional differences unaccounted for.

I opt to take all the relevant cases in each region.⁹ Despite losing some depth as in the more traditional case studies and scope as in the larger quantitative analyses, this medium-n solution (cf. Haggard and Kaufman, 2008) allows a more complex and detailed analysis of both intra and inter regional variation. The dissertation is more concerned with the internal validity of the explanations than with inferring results to a wider range of cases.¹⁰ By following the evolution of their respective reforms I can better track the causal mechanisms that affect inequality over time.

I use the comparative method to explore two scenarios: one where regions converged in declining inequality – until the u-turn of the 1980s – and another where regions diverged despite enacting progressive reforms. I track and compare the process of policy

⁹I have excluded a few potential cases from the sample. Finland is perhaps a notable absent in Scandinavia but its tragic development in the early 20th century generates noise. In the Southern Cone I have excluded Brazil, which is sometimes lumped together with Argentina, Chile and Uruguay, as ethnic and regional issues would have prevented a more straightforward comparison. Likewise, I have excluded several smaller Pacific islands and nations from the Antipodes.

¹⁰As a result, our cases combine a number of qualities. Looking at current numbers, some of them are “extreme” or unusual such as the whole of Scandinavia which always score the lowest inequality in international comparisons. Some of them are “deviant” (cf. Gerring, 2007, 89-90), such as the Southern Cone which introduced welfare reform, tried to boost unionism and wage equality but remained unequal up to this day. By keeping all the countries and establishing a regional comparison we can check whether countries within regions were subject to similar processes.

reform and their social effects in each area. (Instead of having a chapter per country and a conclusive comparative chapter, I decided to compare all of them in each area of reform.) Although the comparison might strike as unusual, these three regions allow us to answer our theoretical puzzles. These are certainly countries that followed different routes to state formation, that were populated by different peoples, and that were shaped by distinct historical and cultural experiences. But in key economic and institutional aspects they fit the purposes of this study remarkably well. At the start of the 20th century they were the developing world of the day, both rich in natural resources and quickly modernising. In all these countries, the economy was organized primarily around the export of mining, farming, and pastoral products or a combination of them. They were all attached to the same international markets. Industry and the manufacturing sectors were expanding. By 1920 all these cases were becoming increasingly democratic and the state was undertaking a leading role in the provision of welfare in their respective continents. The expansion of their frontiers had ceased, property rights had been firmly secured and elected officials had assumed the conduction of most political affairs.

1.3 Explanations and the argument

1.3.1 Historical and cultural legacies

Conventional explanations of inequality include long-term models of social and economic change which offer a first clue to think about this dissertation's puzzles. In a recent work, Piketty (2014) contends that inequality is inherent to capitalism: the modern capitalist economy tends naturally towards concentration as the returns of capital, possessed by the few, grow faster than the general economy and the earnings of the majority. For him, the 20th century constituted an exception to this trend as income and wealth distributions compressed in most of the West up to the 1970s driven, in part, by a combination of high taxation and contingent events such as wars and economic

crises. This line of thought is not new in the social sciences: for both Marx and Weber greater inequality was a condition for the emergence and development of the capitalist economy¹¹. From different angles, they saw inequality resulting from wage-labour, private property, and industry as novel phenomena that made the expansion of capital possible (cf. Lachmann, 2013). As this dissertation concentrates in the early 20th century when industry and capital expanded worldwide, I acknowledge the importance of these processes but remain sceptical of their contributions as they do not explain the Southern Cone: in the three regions, working classes became powerful actors, the cash-nexus spread through the economy, taxation increased, economic crises – if not war directly – created uncertainty and undermined large fortunes, and yet distributional outcomes remained consistently unequal in the Southern Cone (cf. Williamson, 2010, 2015). More importantly, Scandinavians and Australasian nations began a downward trend of inequality before the 1929 crash and the emergence of high taxation in the 1940s; welfare and labour reform began before the 1930s in the three regions.

Another stream of research explains contemporary inequality from events in the more distant past; *conquistadors* and subsequent landowning elites marginalised native populations through colonial institutions to retain power (Acemoglu and Robinson, 2006) or to exploit geographical endowments (Sokoloff and Engerman, 2000). These accounts have the advantage of linking the distribution of valuable assets to power relations and the institutions created to enforce or preserve them, either through the *copy* of institutions from the mother country or their adaptation to the physical environment. In both, inequality results from unequal power relations and their institutional persistence. But both fail to completely account for the Southern Cone.¹² Empirically, colonial institutions had been transformed at the beginning of the 20th century by liberal policy makers

¹¹Marx concentrated on elite exploitation; Weber on economic rationality and shared life chances (cf. Ingham, 2008; Goldthorpe, 2007; Wright, 2002).

¹²For conceptual and empirical criticism see Coatsworth (2008); Frankema (2010a); Dobado González and García Montero (2010); Dell (2010); Williamson (2010). Consider as well, the continuity and adaptation of the *corvée* system up to the 1940s in Sweden (Lundh and Olsson, 2011).

trying to emulate the more successful political and economic regimes from Europe (cf. Centeno and Ferraro, 2013). Conceptually, the definition of institutions is problematic for empirical research. Following Douglass North, institutions are commonly defined as “the rules of the game”: collective arrangements that regulate access to property rights in order to reduce transaction costs and make human coordination more efficient (cf. North, 1981, 1998; Adelman, 2001). The crux of the matter is whether people will follow these rules once enacted:¹³ one problem is the aggregate imperative of reducing the costs of coordination, another is the individual rationality of complying with aggregate requirements. The concept encompasses almost any observable outcome from formal courts and electoral systems to informal normative commitments.¹⁴ As a result, institutional accounts often conflate institutions, power, and variation in aggregate outcomes and thus end judging the powerful with a different yardstick across countries. A good example is the explanation of feudalism: López-Alves (2000, 16) noted that “those (scholars) who saw feudalism in Latin America perceived it as a sturdy obstacle to democratic practices. Those who studied feudalism in Europe, however, saw it as a predecessor to industrial revolution and, for all its dark features, also as a noble precursor of capitalism and democracy”. In the same vein, inequality (of property rights and power for instance), which is at the heart of the explanations of European development, is at the heart of the explanations of Latin American underdevelopment. Inequality in Europe breeds growth; in Latin America more inequality.¹⁵

Other models associate inequality to structural demands for growth. *Modernisation lit-*

¹³North (1981) addresses this problem through the concept of ideology which makes compliance more likely by legitimising and informally enforcing these rules.

¹⁴We face additional problems by thinking of informal institutions as normative commitments or ideology. Cultural attitudes are received wisdom or practical knowledge, they are not necessarily created by those who apply them (i.e. “institutionalised”). These commitments as North (1981) rightly stresses, are important for the functioning of formal organisations, but they often precede the creation of institutions.

¹⁵That raises further problems on the causal mechanism. The presence of self-serving rural interests that can check political elites can be causally associated to economic growth in Botswana (Robinson et al., 2003), but not in Latin America (Acemoglu et al., 2001), so the explanation requires more precision and context. For methodological problems see also Gerring (2007, 208-210). In another example, Pomeranz (2000, 137) argued that despite being more equal than most European countries in early modern times, China did not experience a comparable industrial breakthrough.

erature predicted that growth, industry, and democracy would require social policy for the functioning of modern societies and hence these would become egalitarian. Latin American lacklustre growth in the second half of the 20th century was, on many occasions, put down to backward cultural attitudes that made rationalisation of economic behaviour difficult; lack of growth explained the later adoption of welfare policy and the preservation of inequality. Alternatively, *dependency* literature predicted different paths to growth and equality given a country's position in global markets and the regressive ties between economic elites in peripheral and core countries.¹⁶ Economic elites' vested interests in the exploitation of natural resources deterred industrialisation and increased dependency to foreign markets, thus preserving traditional inequalities. But despite their respective contributions, these explanations shed little light on our puzzles. New Zealand, the richest case at the start of the century, consolidated its welfare state, remained dependant on pastoral produce, and experienced a stable downward trend of inequality despite exhibiting growth rates more similar to the Southern Cone than to Australia or the Scandinavian countries (Greasley and Oxley, 2000, 186). The three regions were at the periphery of world markets and recipients of significant foreign investment for most of the 20th century; but it is uncertain that foreign interests dictated economic policy in the Southern Cone at the start of the century.¹⁷ Crucially, these explanations are not primarily concerned with inequality: they assume it.

Modernisation literature's stress on backward rationality does point to another well known but elusive explanation, that of culture and religion. Commentators have seen in Catholic and Iberian legacies an impediment for development and equality (for a review see Adelman, 1999b). Catholicism together with Spanish legacies would predict hierarchical attitudes and deference towards elites in the Southern Cone. These attitudes would contrast to the more horizontal social structures and attitudes bequeathed

¹⁶For reviews and critiques see Collier and Messick (1975); Valenzuela and Valenzuela (1978). Alderson and Nielsen (1999) show that foreign investment, an indicator of dependency, increases income inequality in present times.

¹⁷See Senghaas (1985); Remmer (1976); Davis (1963).

by Protestant communities in Australasia and Scandinavia. Backwardness could also operate politically, through the organised interests of the Catholic church, as it provided social services that competed with the more secular orientation of the national states. But culture, either as shared attitudes or powerful institutions, does not completely explain these puzzles because secular policies prevailed in the three regions.¹⁸ More importantly, these general accounts neglect the fact that the Catholic church became an important agent of progressive reform in the Southern Cone, and that Catholic doctrine informed debates on welfare and public policy.¹⁹

An attitudinal take on culture would put inequality down to the backwardness or indolence of the elites towards the poor. Scholars often argue that Latin American elites restricted the opportunities of the poor as they considered them unworthy and lazy (e.g. Reimers, 2006). This may well be true, but the explanation does not square with the comparative riddle. The argument that Latin American elites were hard on the poor does not mean that Australasians and Scandinavians considered poverty the outcome of unjust social structures rather than people's own choices. Infused with Victorian values, Australasian middle classes and elites attacked poverty as a moral flaw, an outcome of individual irresponsibility, and welfare policies attempted to foster discipline.²⁰ Scandinavian education reform promoted obedience towards the state and economic elites (Lindert, 2007). In contrast, one can detect traces of Catholicism in Southern Cone social policy as recipients were not forced to alter their behaviour or become more dis-

¹⁸In fact, Catholicism informed labour market and education reform in Australia where a significant Catholic community thrived: Leo XIII's *Rerum Novarum* encyclical had a deep impact on the discussion of living wages, and the threat of Catholic competition promoted educational reform (Blackburn, 1996; Meyer, 2000). On religion and welfare see Kahl (2005).

¹⁹An early Latin American exponent is the Salvadorean Alberto Masferrer in the 1920s with calls to establish an universal "vital minimum", reminiscent of Australasian living wages, together with a criticism to the cash-nexus (cf. Masferrer, 1968b,a).

²⁰For a general discussion see Himmelfarb (1996). For Australasia see Mendelsohn (1954); Thomson (1998). As Mendelsohn (1979, 88) noted, "on poverty there was a conspiracy of self-deception" as Australian middle classes could not believe that a rich country could produce so much hardship and hence blamed the poor for being dependant on public relief. For Swedish disciplinary experiments see Björkman (2012).

ciplined; receiving was not conditional on individual change.²¹ Putting the explanation down on the self-interest of the elites assumes self-consciousness and a capacity to coordinate which requires further elaboration.

1.3.2 Economic variables

A usual point of departure to think of inequality as the outcome of economic processes, is the work of Kuznets (1955) which resonates strongly in the *modernisation* literature and the work of Piketty (2014) and Atkinson and Piketty (2007, 2010). Kuznets (1955) described the association of inequality and the growth of industry as an inverted U. The transition from agriculture to industry leads to inequality at first, as workers are lured away from less dynamic agriculture into more competitive industry, but as more workers begin to migrate wages in industry fall and compress in the long-run.²² Morrison (2000) finds support for this curve in Sweden and Finland among the Scandinavian nations, as wage inequalities increase in the 19th century and then decline as the share of rural employment falls. But as I discussed above, the association of industry, growth, and inequality is hard to disentangle: the more dynamic sectors in the Southern Cone and Australasia were intensive in capital investment, and could not employ a large workforce. Industrial employment became a likely source of equality rather than inequality (cf. Bértola, 2005).²³

²¹Consider indulgences for instance (MacCulloch, 2010, 555-558). But commenting on the type of discipline that Protestantism and Catholicism enforced after the Reformation, Gorski (2003, 155) disagrees with “(the) tendency to equate Protestantism with reform and Catholicism with reaction. In the areas of religious discipline and social provision, for example, it could be argued that post-Tridentine Catholicism was actually more intensive and more activist than orthodox Lutheranism”.

²²Kuznets did not elaborate a mechanism to explain this association. Williamson (1991) argues that the curve could reflect the fact that wages were more unequally distributed in industry, or that capital savings allowed industry to supply more jobs, or even that industrialisation was a skill-intensive process. As industry created differences between the skilled and unskilled, more workers invested on skills and this led to equality.

²³Urban population grew faster in the Southern Cone and Australasia than in Scandinavia during the 19th century and early 20th century, hence the association does not entirely explain why the distributional trend of Australasia and Scandinavia converged in the long-term or why, despite growing urbanization, Southern Cone inequality remained robust.

Given that the cases were at the periphery of international markets, a more plausible explanation would consider external factors such as the effects of global trade and migration. The Heckscher-Ohlin model and its derivatives predict inequality as a function of comparative advantage. Under free trade, a country will exploit and maximise those factors of production in which it is more competitive. Monetary returns to these factors increase as a result. In countries like Argentina and Australia, where land for pastoral activities was abundant, returns to ownership increase relative to the returns to labour. Along with this model then we have a very good explanation of why inequality increased during the late 19th century and into the 1920s in the Southern Cone and Australasia as trade expanded world-wide (Abad, 2008; Williamson, 2002). Industrial protection and tariffs would predict more equality by reducing the returns to capital and making industry more competitive, and both the Southern Cone and Australasia enacted them. But inequality declined steadily only in Australasia.²⁴ Besides, while trade globalisation predicts inequality, we still need to account for Scandinavia, a region that remained open to trade since the late 19th century.

Mass migration can compress wages as the supply of labour increases, but produce more inequality between wage earners and capital owners who can hire workers cheaply (Williamson, 2005). Migration unsettled the labour markets in the three regions: the Antipodes and the Southern Cone received while Norway and Sweden sent a large quantity of migrants.²⁵ This pattern would predict larger inequality in the Antipodes and the Southern Cone and less inequality in Scandinavia. But with only 3% of foreigners in Chile at the start of the century, changes in migration do not explain the convergence with Argentina and Uruguay (Díaz et al., 2010). Besides, European migrants

²⁴Removal of trade restrictions in the 1970s and 1980s increased inequality in Latin America particularly as the gap between export and local-oriented sectors increased (Leamer et al., 1999; Beyer et al., 1999) thus supporting this model.

²⁵Almost half the populations of Buenos Aires and Montevideo were foreign-born by the 1910s. Immigration after 1870 increased the labour force of Argentina and Australia by 86 and 42% in 1910 respectively (Williamson, 2005, 34). As we will see in chapter 3, Australasian labour organisations mounted pressure on politicians to restrict cheap migration of South-East Asian workers (Castles, 1985, 58); Argentinian elites passed laws curtailing migration in fear of social unrest (Sánchez Alonso, 2013).

to the Southern Cone not only competed with unskilled labour: with better schooling they successfully took jobs at the upper end of the distribution (Sánchez Alonso, 2007). Nor do changes in migration explain Sweden and Norway entirely as they converged with Denmark and Australasia.

Finally, economic research links inequality to technical change and education.²⁶ Unlike the explanations above, the education story has the advantage of connecting micro dynamics, the accumulation of human capital, with macro outcomes. Countries that invested early on mass primary and secondary education allowed their populations to adapt quickly to changes in technology. The crucial assumption here is that education provides human capital. Inequality declines as most wage-earners are equally equipped to face the increasing demand for skills. As I will show in chapter 4, unequal access to education is a common explanation of income inequality: coverage and education attainment varied between the Southern Cone nations and the Scandinavian/Australasian block at the start of the century. Engerman et al. (2009) explain differences in education provision during the 19th century out of the self-interest of powerful elites unchecked by democracy in Latin America. But they recognise that the Southern Cone does not quite fit their theoretical predictions as elites created mass education systems. The explanation begs the question of why elites and states would invest in primary education for the masses, and requires further analysis on why the Southern Cone could not match the results of similar reforms in Australasia and Scandinavia.

1.3.3 Political variables

If explanations concentrating on economic variables begin with capitalism, those focusing on political variables begin with democracy and the distribution of power. Influential studies associate democratic reform with the expression of distributive and

²⁶See for instance, Goldin (2001); Goldin and Katz (2008); Lindert (2007) and for recent trends Lemieux (2006).

economic preferences by the many. Lindert (2007) persuasively argues that expanding the franchise and *political voice* increased social and educational expenditures. Restricted democracy gave voice to few interests that could manipulate social expenditure to their advantage – for instance, early poor relief in England and Scandinavia in the 19th century is explained by landowners’ voice: taxation and expenditures favoured the countryside to delay labour migration to cities (Lindert, 2007, 67-80). Political rights to urban workers would in due course shift the balance of power and consequently, of taxation and social expenditures. A similar argument is put forward by Engerman et al. (2009) and Sokoloff and Zolt (2006, 2007) as they claim that restricted democracy, which they derive from institutions created to exploit economic endowments, severely hampered the development of income taxation and public goods.

For these accounts, extending the vote explains larger expenditures and progressive taxation. But this finding raises further questions to our puzzles: taxation and expenditures increased in the three regions even if the pace of democratic reform varied. Elites in the Southern Cone were not especially reactionary as they enacted reforms that could result in a more egalitarian distribution. Landowners’ voice did not direct public investment (i.e. to deter migration) to rural areas. Naturally, to explore the argument in full we still need an account of groups’ interests. But that raises more questions on (1) the capacity to mobilise or coordinate political action than on the individual right to express a political preference, and (2) the logic of inclusion to public goods and policies. The comparative works of Engerman et al. (2009); Sokoloff and Zolt (2006, 2007) assume compact or coherent elites with a capacity to translate clearly defined self-interest into policy in Latin America, such as the ones found in Europe and the US, but they had plenty of collective action problems as power was diffused among competing groups and *caudillos* (cf. Centeno, 2002).²⁷ In addition, voice alone might not be enough to

²⁷Power struggles after independence, and competition between domestic and external economic sectors are two possible explanations of why Southern Cone elites faced collective action problems. *Caudillos* fought each other to consolidate power, and during the 19th century rural and industrial interests diverged. Social policy further fragmented collective capacities, as industrial groups competed for political patron-

translate political preferences into reality as state capacities to enforce these preferences varied.

The democratic argument helps to frame the origin of social policy. Democratisation roughly coincided with the growth of taxation and expenditures. But it did not coincide necessarily with collective negotiation of wages – Scandinavian employers and workers began settling their disputes over wages before the expansion of the franchise – or with education opportunity – educational reform in Scandinavia and the Southern Cone preceded democratic reform. It does not tell us why the effects of policy on the distribution of income varied.

Hence, democracy is a good predictor of redistributive policies in the Antipodes, but not necessarily in Scandinavia and the Southern Cone. But it is not a good predictor of why policies were associated to different outcomes. For context, electoral reforms are summarised in table 1.2. Voting and civil rights consolidated early on in Australia and New Zealand.²⁸ The institutional framework echoed that of Britain and other British settler societies. Already in 1850 men could vote in South Australia and the other colonies followed suit. In contrast, the pace of reform in the Southern Cone and Scandinavia was slower and more comparable – although Scandinavians extended the franchise to women earlier. Collier (2006) groups early democratic reform in Scandinavia and the Southern Cone as examples of upper and middle class strategies to gain electoral support from lower groups: voice is given to the poor by elites seeking a wider political backing, and this would, arguably, alter distributional preferences. Of the Southern Cone countries, only Chile and Uruguay consolidated a distinctive party system.²⁹ The

age. Other explanations come to mind: elites could have had problems to operate in larger countries such as those of the Southern Cone and Australasia. Scandinavian elites in contrast were ethnically and geographically compact. I explore some of these issues in chapter 3.

²⁸The expansion of democratic rights coincided with the growth of strong colonial administrations that tried to assist migrants and attract foreign capital – a period often referred to as “colonial socialism” (cf. Butlin et al., 1982).

²⁹See Valenzuela and Valenzuela (1983); Scully (1995); López-Alves (2000).

story of democracy in Argentina, after a promising start, would be rife with instability from the 1930s onwards (McGuire, 1995).

Table 1.2: Democratic reforms, 1800s-1920s

	Reform	Year
Argentina	Secret ballot, adult men	1912
Chile	Secret ballot, adult men	1874/97
Uruguay	Secret ballot, adult men	1915/18
Australia	Universal suffrage (federal)	1901/02
New Zealand	Universal suffrage	1893
Denmark	Secret ballot, adult men	1901
	Universal suffrage	1915
Norway	Secret ballot, adult men	1898
	Separation from Sweden	1905
	Universal suffrage	1913
Sweden	Secret ballot, adult men	1907/08
	Universal suffrage	1918/20

Note: see text for sources and information.

The history of democracy in the Southern Cone poses another challenge to the connection of democracy and social reform, because contrary to what happened in Scandinavia and Australasia, democracy itself was subject to the uncertainties of mounting distributional conflict and economic changes. The logical conclusion would be that interruptions to democracy, through military coups, would have deterred redistribution. In Argentina, for instance, conservatives ruled between 1930 and 1946 backed by the army and reinforced by rigged elections. However, as chapter 4 shows, workers still managed to win favourable terms after strikes. In Chile, democratic rule suffered interruptions in 1924-1925 and 1932-1933, but in both instances a stronger presidency emerged charged with new powers to extend social insurance and overcome elite resistance (cf. Faundez, 2007). In 1933, Uruguay also experienced a self-coup that gave more powers to the presidency and abolished a former collegiate executive system, in the hope that a stronger president could make faster decisions to alleviate conflict. The aftermath of these struggles was a more redistributive-oriented executive in the three countries.

Engerman et al. (2009) and Sokoloff and Zolt (2006, 2007) use the percentage of voters to total population to illustrate the slow progress of democracy in Latin America. Electoral participation is presented in table 1.3, where it is shown that it grows faster in Australasia and Scandinavia than in the Southern Cone. The case of Chile looks particularly divergent with a low proportion of registered voters to total adult population. The lists of registered voters were slowly updated over time and might have contributed to lower estimates: the de facto figures should be higher even if literacy requirements, not actively enforced, were in place up to the 1970s (Valenzuela and Valenzuela, 1983; Valenzuela, 2001). For instance, the electoral population for 1912 is almost 18% of total population (Díaz et al., 2010). In addition, the populations of the Southern Cone, particularly Chile, were younger than those of Australasia and Scandinavia. Hence participation to total population is bound to be lower.³⁰ The table does show that votes cast to total population were almost as twice as large in Scandinavia and Australasia than in Argentina and Uruguay in the 1940s, the “older” countries in the Southern Cone, a fact that also reflects women voting in Scandinavia (i.e. roughly doubling the electorate). But taken together with democratic reform, electoral conditions around 1910 question that democracy alone would explain the divergent patterns of income distribution as the three regions did in fact commit to progressive reforms. We need to focus on the intermediate factors that connected social reform, arguably through democracy, to inequality.

In that sense, contemporary levels of inequality are also explained by political partisanship and electoral rules. Left-wing political parties, unions, increased social expenditures and taxation, are usually correlated with less inequality.³¹ The likelihood that

³⁰By the early 1950s, about 53% of Chileans were above 20 years of age compared to 70% in Norway and Sweden. The figure for Argentina is around 59% and for Uruguay in the 1960s around 64%, which is closer but still lower than Australia (65%), New Zealand (64%) and Denmark (67%) in the early 1950s (Palgrave Macmillan Ltd, 2013).

³¹For different takes on these associations see Gustafsson and Johansson (1999); Wallerstein (1999); Alderson and Nielsen (2002); Pontusson et al. (2002); Western and Rosenfeld (2011) Research often assumes causality from left-wing coalitions to progressive reform and less income inequality. It could also be argued that more egalitarian countries are more likely to vote for the left and have larger unions. For

Table 1.3: Democratic participation, 1800s-1920s

	Votes cast c.1910		Votes cast c.1940	
	% of Reg. Voters	% of Pop.	% of Reg. Voters	% of Pop.
Argentina	63	9	83	18
Chile	81	4	80	9
Uruguay	66	12	67	29
Australia	63	31	96	54
New Zealand	82	46	96	59
Denmark	75	13	79	45
Norway	66	22	84	50
Sweden	57	11	70	45

Sources and notes:

- Argentinian elections are for President and Congress in 1916 and 1946. Chilean elections are for Congress in 1915 and President in 1942, see text for an explanation of its low ratio of voters to total population. Uruguayan elections are for Constitutional Assembly in 1916 and President and Congress in 1942 (Nohlen, 2005).
- Australian elections for House of Representatives in 1910 and 1937; and for New Zealand in 1911 and 1938 (Nohlen et al., 2001).
- Danish elections for House of Representatives in 1910 and 1930. Norwegian elections for National Assembly in 1912 and 1936. Swedish elections for House of Representatives in 1911 and 1940 (Nohlen and Stöver, 2010).

a left-wing party or coalition would hold office increases with proportional electoral systems, fiscal centralisation, and the lack of external check and balances, rendering partisanship a plausible explanation of inequality (cf. Alesina and Glaeser, 2004). But like the explanations above, these correlations leave important questions at the margins. They generally explain progressive policies, not how they worked and interacted with distributional outcomes.

The Southern Cone cases question as well the clear-cut connection between the left and progressive policies. Of the three countries, only Chile developed competitive class-based parties. The absence of a class divide did not consign Argentinian and Uruguayan politics to regressive policies. On the contrary, they pursued redistribution through national-popular presidencies and political movements. Like Chile and the other two regions, they kept on expanding redistributive schemes and settling wages. Even in

instance, Social Democratic parties consolidated power in Scandinavia after inequality had been trending downwards for almost two decades (Baldwin, 1999; Roine and Waldenström, 2010; Atkinson and Sjøgaard, 2013; Aaberge and Atkinson, 2010).

Chile, strong presidencies that sought to govern as national movements (e.g. Ibañez or the later Christian Democrats) are difficult to classify as either right or left. The association also does not fit with class-based politics in Scandinavia and Australasia as welfare reform involved compromising with farmers' and conservative parties, which can take credit for ensuing redistribution.

For context, tables 1.4, 1.5, and 1.6 illustrate the popular backing of the main political parties in the three regions between 1910 and 1950 (percentages do not sum 100). This time period covers the time when the main redistributive schemes originated. Class-based parties operated in the Antipodes and, more importantly, had the collective capacity to win elections and form majorities. By the 1910s Australia had a Labor Party with strong connections to the trade union movement at both the state and federal level, and a Liberal party with support from a broad range of business interests. Rural interests represented in the Country party formed a Coalition with the liberals after the First World War (Nohlen et al., 2001, 574-6). Both Labor and Coalition alternated in office; the Liberals being dominant in the 1910s and 1920s; and Labor in the 1930s and 1940s. New Zealand politics ran a parallel course but the class cleavage became clear with the emergence of the Labor Party in 1916. Between the 1890s and 1930s the Liberal Party had dominated with a mix agenda of land reform and labour regulation that won the support of small rural farmers and urban workers. Conservatives coalesced around the Reform Party which started to win over the rural vote that resented further liberal reforms. The split in the liberal vote coincided with the progress of Labor and the creation of a National Party out of the remnants of the Liberal and Reform parties. The new National party committed to restrain unionism and represented the middle-class (Nohlen et al., 2001, 706-8).

The capacity to translate economic interest in political representation can also be discerned in Scandinavian politics as parliaments curtailed the influence of monarchies during the 19th century (Collier, 2006, 28-35). Parties started to form in the late 19th

Table 1.4: Characteristics of political competition in Australasia, 1910-1950

	Party	Lower House share of votes		
		c.1910	c.1930	c.1950
Australia	Labor (1901)	57	24	43
	Liberal (1909)/Coalition (1922)	41	75	57
New Zealand	Liberal (1891)/National (1936)	41	24	63
	Reform (1909)	46	35	
	Labor (1916)		30	38

Sources and notes:

- Elections in Australia: 1910, 1931, 1951. Elections in New Zealand: 1911, 1931, 1951, in Nohlen et al. (2001).

century and courted popular vote for the lower chambers of the parliament. Although monarchies retained several prerogatives, including the dismissal of cabinet ministers up to the 1920s in Denmark and Sweden, class politics was a working reality from the 1910s. The political landscape of the three countries was similar (table 1.5): Social Democrats or Labourites catered for a growing urban proletariat in close association with the trade union movement; Liberals represented middle-class and professionals but were at the left of traditional aristocratic parties; Conservatives stood for urban and rural aristocracies; and Ruralists advanced small-farmers and labourers interests. These rural parties worked as swing parties and allowed Social Democrats to form majorities from the 1930s. As we will see in subsequent chapters, timing poses interesting challenges to the association of working-class parties and redistribution, even if the left had a clear advantage in Norway and Sweden, as wages began to be settled by negotiation before the extension of the vote to urban working-classes, and welfare reform required the inclusion of rural concerns.

The political landscape of Southern Cone democracies could not have been more different and shows that partisanship and democracy are not sufficient causes to explain long-term commitment to redistribution. Of the three countries, only Chile and Uruguay developed competitive party systems. And of these two, only Chile had left-wing parties,

Table 1.5: Characteristics of political competition in Scandinavia, 1910-1950

	Party	Lower House share of votes		
		c.1910	c.1930	c.1950
Denmark	Liberal-left (Venstre, 1870)	34	28	25
	Social Democratic (1871)	28	43	40
	Social Liberal (Radikale Venstre, 1905)	19	11	7
	Right (Hojre, 1881)/People's Party (1915)	19	17	12
Norway	Liberal-left (Venstre, 1884)	40	20	12
	Conservative (Hoyre, 1884)	33	27	16
	Labor (1887)	26	31	46
	Farmers' Party (1920)		16	5
Sweden	National Association (1902)/Liberal(1934)	40	10	23
	Moderate Party (1904)	31	24	12
	Social Democratic (1889)	29	42	46
	Farmers' League (1913)		14	12

Sources and notes:

- Elections in Denmark: 1910, 1932, 1950. Elections in Norway: 1912, 1930, 1953. Elections in Sweden: 1911, 1932, 1952, in Nohlen and Stöver (2010).

from the 1930s, capable of forming winning coalitions (most notably the Popular Front, 1937-1941). In contrast, Argentina lacked both democratic stability and a party system. It was dominated by parties that resembled national mass movements (McGuire, 1995): the National Autonomist Party, with landowners and conservative support, ruled from the 1870s until democratic reforms in 1912 opened the way for the Civil Radical Union, a more urban-oriented party, that governed up to 1930.³² Radicals found support in urban areas and forged selective alliances with trade unions. Civil unrest given Radical inability to provide order and institutionalise a formal relationship with urban workers led

³²The longest democratic run that Argentina had until the present run that began in 1983.

to a military coup followed by conservative rule and rigged elections (Horowitz, 2008). Two more coups destabilised civil rule and from the crisis emerged the Peronist movement of army lieutenant Juan Perón. A broad base of labour and middle-class interest provided support and has remained the backbone movement of Argentinean politics to this day. Despite the lack of a party system and stable democratic governance, from the National Party to the Radicals to the Peronists, the Argentinean state had intervened in labour disputes, regulating wages and labour conditions. Clear-cut left-right interests were difficult to discern. Opposition to Peronism ranged from the Communists to the Conservatives; and inside the Peronist movement left and right orientations competed. It consolidated as a national movement, in its origins close to popular Catholicism and the poor, and, as we will see, continued the re-distributive logic of the Radicals well into the second half of the century. In important aspects, military rule that alternated with Peronism did not fundamentally change the logic behind social policy as they courted support from middle classes and established unions.

Despite a very different institutional outlook, Chile followed (if not the absolute level) a similar trend of inequality to Argentina. With a stable party system and a longer-run of democratic governance, Chile has faced similar problems in redressing distributive conflicts. Party politics dated back to the 1840s when the elite split over Catholic influence between a Conservative and Liberal party (Scully, 1995). Urban migration and fast economic growth generated class cleavages and support for new parties that challenged the economic consensus of the elite. To the left of Conservatives and Liberals, the Radical and the Democratic parties were created in the late 1800s. From a Democrat split the Communist party would emerge in 1922. The Socialist Party was created in 1933 and divisions in the Conservative Party provided the material for the Christian Democrats in the late 1930s (although the Party would acquire its name and current form in the 1950s). Radicals, Socialists, and Communists competed for working-class, mining and urban vote. They succeeded briefly to join forces as a Popular Front and rule with

trade union and urban support. Coordination among left-wing parties was fragile; and faced urban competition from the Liberals, who had made considerable gains under the charismatic Arturo Alessandri, and Conservatives, although the latter's base remained rural. All parties tried to forge alliances with the trade union movement which divided itself along political lines (e.g. mining unions were usually more left-wing than unions in urban centres).

Like Chile, Uruguay had both stable democratic rule and a party system. Parties formed out of the conflict for national consolidation in the mid-1830s. Two parties, the Colorado and the Blanco, represented respectively the rural and the urban areas surrounding Montevideo, and were instrumental to bring stability. But they did not represent class interests. Land-owners and trade-unionists were active in both. Accordingly, politics divided along geographical lines. Class interest overlapped both parties as they actively recruited support in working and middle classes. It fell to the Colorados led by José Batlle y Ordoñez, president in 1903-1907 and 1911-1915, to build a closer association with trade unions and urban workers. Their urban support cut across class divisions and allowed them to pass a series of measures intended to regulate wages and work conditions.

The Southern Cone experienced another form of progressive policies, one which was not supported by clear-cut political cleavages. In fact, it would be difficult to compute how many years a left-leaning party held power. In Chile, if we consider the Radical party as left-leaning, it held power for 15 years between the 1920s and 1970s. The Uruguayan Colorado party, mostly liberal, held power for 43 years in that period. Naturally, the left was in power for longer in the other two regions. But even in Australasia and Scandinavia, where left-leaning parties held executive power, it is difficult to conceptualize progressive policies as a struggle between capital and labour, as most of them required wide backing to become law. It is precisely the type of association between

Table 1.6: Characteristics of political competition in the Southern Cone, 1910-1950

	Party	Deputy chamber share of votes		
		c.1910	c.1930	c.1950
Argentina	National Au- tonomist (1880)	9		
	Civil Radical Union (1891)	47	62	32
	Socialist (1896)	7	5	1
	Peronist/Justicialista (1947)			64
	Chile	Conservative (1836)	40	20
	Liberal (1849)	33	18	18
	Radical (1863)	21	18	22
	Socialist (1933)		6	8
	Communist (1922)			2
Uruguay	Colorado (1836)	76	48	52
	Blanco/Nacional (1836)	23	49	31

Sources and notes:

- Elections in Argentina: 1916, 1928, 1951. Elections in Chile: 1915, 1932, 1949. Elections in Uruguay: 1919, 1931, 1950, in Nohlen (2005).

politics and society that needs to be unpacked. The Social Democrats held power in Sweden for more than 40 years in that period, but only in 8 where they a majority government. In Australia and New Zealand, the fate of labour was less promising: holding power for 7 years (13 if we include the 1910s) in the former, and 14 in the latter.

Electoral rules and partisanship are surely important to understand the growth of redistribution and public goods, but contemporary associations are also puzzling in another respect. When looking at industrial nations in Europe, the Antipodes, and North America, proportional electoral systems are correlated with increased social expenditures. Under those regimes, left-wing and pro-labour coalitions are more likely to govern and the right less likely to cut on welfare. The association runs in the opposite direction in Latin America: strong presidential regimes in non-proportional electoral systems spend more on the poor (cf. Alesina and Glaeser, 2004, 87-88). While in Europe, proportional systems are thought to provide a platform for left-wing coalitions to increase redistribution, in Latin America, particularly in the Southern Cone past, proportional systems

often lead to deadlocks on taxation and redistributive issues.

It follows that this dissertation needs an account of the logic behind policy reform and inclusion. Two complementary streams of research illuminate the rationality of policy adoption: (1) power resources and (2) variety of capitalism. *Power resources* is associated with research by Korpi (1983) and Esping-Andersen (1988). These works offered an account of the singularity of Scandinavian welfare states from the organisation of the working class through unions and their support for Social Democratic parties that led to a “democratic class struggle”. Unlike other perspectives that base their historical analysis on power alone, power resource theories propose a criteria for inclusion into social policy in relation with other providers of welfare and income protection (e.g. churches, firms, families) and the conditions for political stability through cross-class alliances. The study by Esping-Andersen (1991) became paradigmatic of this tradition as he argued that the political organisation of workers and their support for socialist parties converged towards universal policies. Autonomous unions and parliamentary politics led Social Democratic parties to seek, first, class unity and, later, cross-class alliances.³³ Alternatively, countries with a less clear cross-class compromise would often increase social expenditures but grant access through employment status, occupation, or proven economic need. The Welfare States in France or Germany restricted access through occupation; the US targeted redistribution to the poor as workers were expected to access welfare through the market.³⁴ Universal inclusion on an individual basis and not through status and market power would lead steadily to less inequality while targeting benefits to the poor would paradoxically increase inequality as workers depend on market mechanisms (cf. Korpi and Palme, 1998).

³³“Since the strategy of social democracy is majoritarian, its definition of the solidaristic universe must address the *people*, not the *class*” (Esping-Andersen, 1991, 32). Not surprisingly, Schall (2012) finds a strong use of racial and nationalistic language in the electoral strategy of Swedish Social Democrats.

³⁴Esping-Andersen (1991) argues that universal welfare states “decommodify” labour relations and produce solidarity as, instead of depending on market mechanisms, welfare results from legislation and state provision.

I will show in the next chapter that Australasian and Scandinavian levels of income inequality converged for most of the 20th century despite the universalism of social policy in the latter and the targeting of the former. Further, the political motives of urban working classes and their parties do not always tend towards universalism. Baldwin (1999) showed that rural interests and farmers' parties were the key actors in the emergence of the Scandinavian welfare states by diverting redistribution to their own constituencies. Social Democratic parties favoured instead urban over rural sectors and would have probably produced a less universal welfare state if given unrestrained power.³⁵ Swenson (2002, 1991) has shown as well that the power of business and employer organisations configured the Scandinavian welfare states as they shaped policy in such a way as to reduce labour costs through uniform wages in return for state-provided welfare for workers. Both accounts challenge the class-struggle thesis. There are at least two problems with extending the power resource literature into other settings. The first is to assume that urban unions and left-wing parties would mobilize for universal interests.³⁶ To be truly inclusive, policies needed to guarantee access to the poor, itinerant, and non-organised workers – and not just the organised urban working classes. The second is that redistribution through policies is complementary to other areas that can redress inequality such as education opportunity and regulation of labour markets. Exclusion in one area can be offset by inclusion in another.

Varieties of capitalism literature addresses this last issue (Hall and Soskice, 2001). The departure point is not the class struggle, which was perhaps clearer in early industrial phases, but economic uncertainty. It is the reaction to change by organised groups what defines the criteria for inclusion into social policy, education, and labour markets.³⁷

³⁵Archer (2007) also finds that farmers and unions strategic alliances led to the emergence of the Labour Party and geographical fairness in social policy in Australia.

³⁶Haggard and Kaufman (2008) document that the interests of Latin American labour were not always progressive. Alternatively, in Eastern Europe and South East Asia, the repression of the left and labour “provided conditions for policies that encouraged a more egalitarian distribution of social insurance and services” (Haggard and Kaufman, 2008, 23).

³⁷A similar point is made by Ansell and Samuels (2010) to explain democratisation: for them, democracy is a more likely outcome when groups organise against the risks of economic change to demand

This literature overcomes the assumption of a universal motive behind the left and unions' actions and takes into account current developments where service and white-collar employment has increased thus undermining working class solidarity (Iversen, 2006). Thinking on a variety of capitalist compromises between labour and capital allows to read a wider web of interests shaping social policy. Firms do not oppose progressive reform, rather they seek insurance from economic uncertainty and tailor social policy so as to share risks with the state and society. Labour markets and the accumulation of human capital through education become complements to welfare legislation (Thelen, 2001; Hall and Soskice, 2001; Iversen and Stephens, 2008). For instance, Scandinavian social policy is complementary to firms' interests on labour markets and human capital formation. As firms seek to keep wages low and uniform, but require specialised workers, they consent on increased state welfare to provide income security, gain workers' support for lower labour costs, and retrain them when technology changes (Swenson, 2004; Iversen and Stephens, 2008).

But both accounts share a common assumption: that economic interests can be pursued coherently by self-conscious, organised groups. Power resource literature stresses the power of the left and unions to oppose market mechanisms (leaving at the margins the collective capacities of elites); varieties of capitalism literature focuses on the organisation of business elites and firms in shaping policy to restrict uncertainty. What needs explaining is precisely that capacity to organise. For this dissertation's puzzles, the stress on uncertainty, employers' and economic elites' interests, and the complementary character of social policy are crucial. Countries across the three regions faced increasing economic uncertainty at the beginning of the last century and tied social policy together in response to these changes: these were periods of increasing contingency and political opportunities that could be pursued by erstwhile marginal groups. The class-struggle can be seen as a component of economic uncertainty as it increased operational costs

insurance from the state.

and created a risky environment for firms. In labour markets, the three regions faced the problem of securing collective agreements over wages and the self-discipline of social actors to sustain them in the long-term. In education, the three regions faced collective problems to promote school attendance and human capital accumulation among the poor. In taxation and spending, the three regions faced the collective problem of expanding the tax base in order to provide stable funding for redistribution. In the three areas there was considerable risk of free-riding, and the interaction with the state could help or hinder virtuous behaviour. What explains the success of universal and targeted policies in Scandinavia and Australasia, respectively, is that they helped to reduce the collective action problems: they provided clear criteria for inclusion and achieved cooperation.³⁸ In the Southern Cone, policies sometimes had the unintended consequence of fragmenting collective capacities and failed to achieve cooperation in the long-term.

1.3.4 The argument: patterns and sustainability of inclusion

The preceding discussion shows the limits of thinking about progressive policies as the mere outcome of global processes (e.g. capitalism, democratisation) or the institutional tools available to achieve redistribution from one social group to another (e.g. from economic elites to the working class). If these processes are correlated with the emergence of progressive policies, we still need to understand how they worked and became sustainable in the long-term. Unlike the above explanations, this dissertation focuses on the social relations underpinning policy reform. For the cases we have, context is of key importance. To work in the long-term, policies needed flexibility as they dealt with global uncertainty. In addition to geographical constraints, policies tell us how state makers sought to incorporate different social actors, and how they institutionalised compromise to sustain policies in the long-term. For inequality, a key aspect of policy reform was the inclusion of precisely the sort of people with little capacity to

³⁸They were accompanied by a “moral ecology” that stressed shared sacrifices, unlike the Southern Cone that stressed group competition for social benefits.

organise and lobby for redistribution. At the same time, once individuals were incorporated into diverse schemes to redistribute risk and income, policies required people to share the burden and keep investing in their own human capital.

If during the 19th century, states faced the challenge of nation building (Centeno, 2002), in the 20th century they faced distributional conflict. Economic shocks were game changers. Wars, crises, and trade cycles had a profound impact on resource-rich export-oriented economies. These were two sources of uncertainty, one internal and the other external. The internal referred to an escalation of distributional conflict through strikes and lockouts as we will see in chapter 4. The external referred to changes in global markets and technology (much of the industrial capacity at the start of the century was imported through foreign investment and capital).³⁹ These countries were small economies that thrived by feeding world markets with agricultural, pastoral or mineral products. Global demand triggered fast growth between the 1870s and 1930s.⁴⁰ Dependence on few products and markets characterised foreign trade making them vulnerable to changes in the global economy.⁴¹ Despite economic progress, trade unsettled the stability of growth.⁴² To build stable economic expectations, countries would seek to

³⁹These combined sources of uncertainty could be defined as risks in three senses: (1) they affected people's economic expectations, (2) they defined the (uncertain) probability of mischance in the labour market, and (3) they could be attributed to an agent's decision even if the outcomes were unintended (cf. Japp and Kusche, 2008, 84-88). Workers affected by global cycles and technological change could always blame and react against foreign investors and economic policies. Negative attitudes towards foreign capital in the Southern Cone and Asian migration in Australasia formed around this time.

⁴⁰See for instance Bulmer-Thomas (2003); Díaz et al. (2010); Finch (1981); Maddison (2003); Persson (1993); Véganzonès and Winograd (1997).

⁴¹In 1905, timber, fish, and merchant navy services accounted for 75% of Norwegian exports (Persson, 1993, xi-xii). Around 1913, maize and wheat accounted for 43%, nitrates and copper 78%, and wool and meat for 66% of Argentinian, Chilean, and Uruguayan exports respectively (Bulmer-Thomas, 2003, 58); and between 1920 and 1925, wool and agriculture accounted for 65% of Australian exports (Bhattacharyya and Williamson, 2009, 10). Before the 1929 crisis, Germany and the UK, two predominant players in global markets, bought 75% of Danish exports (Persson, 1993, xi-xii); and around 1913 they bought 37% of Argentinean, 61% of Chilean, and 31% of Uruguayan exports (Bulmer-Thomas, 2003, 78).

⁴²The First World War disturbed sea routes and the crash of 1929 affected the demand for raw and primary produce. The GDP of Chile fell by 44% between 1929 and 1933 (Maddison, 2003); unemployment in New Zealand, according to one source, grew from 6 to 44% (Statistics New Zealand, 2012, table B2.3). On average, moreover, the yearly standard deviation for trade openness was above 10% for New Zealand and around 15% for Chile and Sweden between 1900 and 1940 (Statistics New Zealand, 2012; Edvinsson, 2004; Díaz et al., 2010). According to Thorp (1998) Latin American growth at this time was both unstable and of bad quality as it triggered conflict and externalities such as environmental degradation. It is unclear

protect themselves from the consequences of international markets.⁴³

The responses to these challenges can be deceiving. Table 1.7 recaps this dissertation’s puzzle (cf. Diamond and Robinson, 2010, 258-9). Aggregate numbers in enrollments, social spending and taxation, which I discuss in chapters 4 to 5, would suggest the possibility that social processes were going in the same direction. The three regions enacted welfare legislation, increased budgets, set wages by negotiation rather than contract, and kept widening educational opportunities. For the next 30 to 40 years the strategies to fight distributional conflict and protect from risks were deepened. But behind comparable aggregate numbers lied different processes that originated three paths to inequality reduction.

Table 1.7: The comparative puzzle

Cases	Initial conditions	Perturbations	Policy reactions	Outcomes
3 re- gions (8 coun- tries)	High inequality amid common challenges c.1900	<i>Endogenous:</i> trade disruption, social conflict. <i>Exogenous:</i> eco- nomic crises and two world wars	Welfare legisla- tion and social spending that affected wages, human capital accumulation, and redistribution	Different trends of inequality up to the 1980s. Vari- ance in present outcomes

The fact that progressive policies could be enacted without a strong presence or dominance of left-leaning parties and working class groups, poses further questions on the aims that policy makers pursued and the functioning of these institutions in the long-term. Historical analyses predict greater equality in the distribution of wages, educational opportunity and human capital, and social benefits as political participation widens (cf. Lindert, 2007). Lacking a more balanced distribution of power, labour

that growth was more stable or had a less intense impact on society and environment in the other two regions. Consider hydro-electrical power and its effects on environment and the Sami people in Sweden (Össbo and Lantto, 2011).

⁴³This would follow the argument that risk breeds more insurance (cf. Rodrik, 1998). But insurance kept growing after this period of volatility into the second half of the century. In chapter 3 I argue that policy makers in the Antipodes and the Southern Cone expected to gain economic autonomy so they limited foreign competition to improve domestic wages and protect their industries. Alternatively, Scandinavians protected their industries by making them more competitive in global markets (Swenson, 2002; Hjalmarsson, 1991).

markets, education, and taxation would remain sites for exploitation and reduced opportunity hence transmitting poverty from one generation to the next.

The emphasis on power would require organisation of collective capacities for policies to have effects. A critical assumption of both power resource and varieties of capitalism perspectives is the existence of organised interests. In the former case, class solidarity allows strong unions, parties, and employers' organisations to negotiate a framework to contain distributional conflicts. In the latter, firms negotiate and shape social policy in relation to parties and unions, but following their assessment of risk. For the former, shared experiences of exploitation would give rise to a cohesive working class with enough leverage to achieve redistribution. For the latter, shared life chances in relation to economic risk would lead to political organisation and cross-class bargains. Organisation of autonomous collective capacities allows groups to comply with social policy as it is negotiated to their common advantage.

In the absence of clear cleavages between left and right, the assumption of organised economic interests requires further clarification for the Southern Cone cases. Focusing on state-formation, Centeno (2002, 277) noted that "what is missing in the Latin American experience is organization". What he saw for the development of bureaucracies could easily apply to the collective capacities of workers, employers, elites, and the poor.⁴⁴ Although varieties of capitalism and power resource literatures acknowledge this problem,⁴⁵ inequality only goes down in the long-run if those who have no capacity to mobilize are also included in formal channels of redistribution. Otherwise poverty will have a greater chance of being transmitted from one generation to the next. This is essential for the functioning of collective agreements and compliance with labour

⁴⁴This is not a novel problem: for Olson (1965), shared interests can create cooperation and lead to collective action in relatively small groups but not necessarily in larger ones. As groups increase in size the individual benefit of free-riding can undermine collective action.

⁴⁵Without internal group discipline, i.e. workers' self-constrain to enforce cooperation among their members, it is increasingly difficult to get agreements to work (Iversen, 2006; Swenson, 2004).

legislation; for education as families need to be convinced that sending their children to school is advantageous; and for taxes as cooperation ensues stable funding for social policy.

I argue that policies in these key economic areas not only reflect the distribution of power, but express how policy makers saw and interacted with social actors and society in general. Achieving wide inclusion was not the only challenge to sustain redistribution. This is where culture and norms play a role: they show the extent to which policy makers were willing to trust citizens' behaviour and their collective capacities with regards to welfare, taxes, wage agreements, and education decisions. They also show how social actors reacted to these policies, changing their behaviour, promoting solidarity, or exploiting loopholes for short-term gains. To impact inequality in the long-run, policies needed to promote a virtuous circle or reinforce each other over time. So naturally, policies from the top-down required to (1) include relevant groups into social protection, but also (2) create discipline and cooperation among the included, and (3) achieve compliance in the long-term. Governments could create cooperation and aid the organisation of groups through inclusion to public goods and redistribution. The association of state-makers and working class groups was essential: policies not always aimed to attain growth through more competitive firms as varieties of capitalism would contend (Hall and Soskice, 2001). Co-optation of groups capacities, through patronage (Tilly, 2005), could be an equivalent and perhaps cheaper alternative to create cooperation among a few but relevant small groups (limiting the opportunities of less relevant groups).

In stating this argument, I should also say something about populist explanations of Latin American development. In fact, they allow me to clarify the logic of inclusion in labour markets, education, and redistribution. Definitions of populism range from economic policies that seek to solve micro-economic problems through macro-economic tools (Dornbusch and Edwards, 1991) to forms of political mobilization through which

policy-makers boost their support (Jansen, 2011). Economic definitions are usually employed to explain economic development; political explanations attempt to explain the economic consequences of populism as the result of short-term support. Most accounts of populism in Latin America see it as emerging after the 1940s at a time when charismatic leaders broke oligarchic republics and began to include the masses through public works, social expenditures, and import-substitution economic strategies amid strong national narratives of “the people”. What is challenging about the Southern Cone cases, is that (1) Uruguay is usually considered a non-populist experience (sometimes along with Chile), and (2) that the main period of policy experimentation that I analyse takes place before the 1940s. What I find is that the logic of inclusion into social policy whereby state-makers sought to strengthen their support, preceded the populist experiences that began in the 1940s (see for Argentina Horowitz (2008)) and can be found, to a certain degree, in the three countries. This logic became an inefficient long-term solution in a context where distributive conflict escalated or where policy makers proved unwilling to ask their populations to sacrifice for a common good.

In addition, while studies on populism often concentrate on economic development, arguing that short-term redistribution compromised long-term growth, my comparative cases show how reducing inequality could have a positive impact on long-term growth. Redistribution in Scandinavia and Australasia, improved human capital and individual productivity. It became an investment rather than mere redistribution of resources. Why would redistribution in the Southern Cone have more difficulties in raising productivity and human capital formation?

A recent book by Fukuyama (2012) captures the logic of association between policy-makers and citizens by reintroducing the Weberian concept of “patrimonialism”. According to Fukuyama, the Latin American cases used policies and public office to benefit “kin and friends”. But again our problem in the context of fast economic growth and uncertainty, is that this logic is being applied to a social reality that is increasing in

complexity and magnitude. In other words, what policy-makers attempted to do with policy reform was to make “kin and friends” of groups and individuals that had no political identity or clear social allegiances (cf. Torche and Valenzuela, 2011); to make them loyal and worthy of redistribution. It is true, policies became a tool to buy support but from a wider audience often compromising their capacities to self-regulate (cf. Oxhorn, 1998). The question remains on why the social relations underpinning welfare reform failed to cement cooperation, a national compromise, in the long-run. In other words, why greater expenditures and inclusion could not foster permanent solidarity.

To name but one example, in chapter 4 we will see the limits of institutions and self-interest in explaining union growth. In the three settings, it was expected that by enhancing collective capacities for action and discipline, distribution and the economy would become more efficient. In Australasia and Scandinavia, policies engaged with unions, perhaps recognising the reality of their growing strength, to make them responsible partners in economic development. In the Southern Cone, policy makers thought that by limiting their reach and avoiding their representation at a national level they would become more disciplined and easier to deal with. The cultural setting in each region was progressive. Besides, unions too had divisions by industrial branch and ideology that posed problems when trying to breed solidarity and become the voice of a united working class. In the Nordic and Antipodean cases, unions grew and promoted solidarity, often in conjunction with organised parties, while in the Southern Cone cases, unions, though they grew at a slower pace, usually competed with each other. Where these attitudes to unions just the outcome of self-interest and chosen for distributive consequences? Certainly, self-interest played a crucial role: but not only the self-interest of elites or policy makers. If only self-interest determined policies, then we would see one self-interest (e.g. unions) substituting for another (e.g. elites) without, necessarily, making the economy or distribution more efficient.

In sum, it is no use seeing the evolution of inequality as the mere outcome of the inter-

actions of clear-cut social classes and the state. This way of thinking hides too many assumptions: it assumes the same type of state, similar collective capacities, one definition of economic self-interest. In this regard, self-interest also evolved as information and the complexity of social relations increased. I cannot see self-interest in the teleological terms that some analysts use: as if action had one, inflexible, direction. That is why the scope of inclusion was not the only problem that redistribution faced. The pattern of interaction preceding the enactment of rules of inclusion was the key aspect that had to be addressed. In taxation and labour markets, the pattern of inclusion was less demanding in the Southern Cone. The state had no capacity to impose discipline from the top-down, and workers were not expected to pay taxes or sustain self-discipline in their own organisations. Out of generosity, some sense of redressing previous injustices, or just out of bad planning, policy makers expected loyalty from beneficiaries: not a transformation of individual capacities or behaviour. This lack of shared sacrifice constrained the stability of redistribution (e.g. a chronic lack of long-term funding, the incentive to increase conflict to achieve more redistribution to one particular group). In other respects, social reform in the Southern Cone was too demanding: in education for instance. It expected too much from its schools and lacked the tools to motivate people to stay in education or take something out of it. While the state expected too much from education, making the system demanding, it demanded little from parents. It had no capacity to transform its social demands into a reality: it did not fine parents who refused to send children to school nor did it set up a bureaucracy visiting poor families to aide them in this task like Scandinavia or Australasia. Policies based on individual loyalty have different effects to those based on individual responsibility. If the scope of inclusion was the only problem, then there is nothing to prevent the systems of social insurance copied from France and Germany to have had a more permanent effect in the Southern Cone (e.g. including more groups over time). It is because social policy demanded little organisation and sacrifice, that it could not go on in the long-term.

From this discussion, three challenges become evident for policy reform to affect inequality and I will analyse them in each empirical chapter to shed light on our comparative puzzles.

1. *Inclusion* refers to the criteria of access to social policy or public goods such as education, labour regulation, and taxation and social spending. Inclusion addresses the arithmetic problem of distributing insurance or opportunity. Welfare state variation is often predicated on its degree of inclusion. However, human capital and labour markets can also operate as equalisers. The relevant issue is to attain the inclusion of the poor and the non-organised so as to improve their productivity and break the channels of inequality transmission.
2. *Top-down, bottom-up* are strategies to implement policy which aim to create consent for their continuation over time (cf. Tilly, 1999). Regulation from the top-down requires consideration of local conditions to be viable over time. Cooperation can already exist within and between groups, and the state can use policy to accept these collective solutions or hinder them by dividing groups. Predatory states can for instance, try to appropriate the cooperation that exists in groups (Tilly, 2005; Levi, 1988). But unlike more traditional forms of coercion through negative punishments (e.g. deterrence through the penal system), states can offer positive rewards and gain the upper hand over groups (and undermine or promote their collective capacities) by threatening to remove access to insurance (Luhmann, 1990; Rosanvallon, 2000).
3. *Short and long-term* refer to the temporal consequences of social policy. Unlike collective action problems, the short and long-term effects of top-down reform can be thought of as a time consistency problem as policy makers can discount the future in order to get political support. This can lead to brief and an unstable decline of inequality as policy makers boost short-term consumption but neglect long-term investment (Iversen, 2006).

The above considerations for sustained collective action, inclusion and changes in individual behaviour, are however incomplete. Research on Latin America often assumes that inequality has remained a constant feature due to extraction and exploitation, which have demanded too much from workers and their families. Naturally, exploitation and extraction have been prevalent in Latin American labour markets; so have they been in other regions. The Southern Cone cases allow us to explore this issue further as they did enact progressive policies, which did not fail only because of limited inclusion. In setting wages and taxes, these rules were not demanding enough: they did not force discipline among workers, thus allowing them to extend solidarity to excluded groups, nor did they extract taxes from society at large, thus allowing to extend solidarity among political groups. In education, rules for inclusion were perhaps too demanding, but the state did not enforce compulsory education nor did it aid inclusion through material support to families. What progressive policies failed to do in the Southern Cone was to force sharing sacrifices, particularly the ones that would have allowed these cases to create and sustain solidarity in the long-term.

In unpacking the argument, I do not aim to praise Australasian and Scandinavian solutions and contrast them with the less effective Southern Cone reforms. Each reform obeyed a particular logic to achieve cooperation between social groups and states. The value of the comparison lies in the fact that different routes could achieve similar outcomes given particular contexts. There are dark sides to Scandinavian and Australasian solutions which nevertheless fostered discipline and cooperation. The welfare state in Scandinavia grew in parallel with eugenics, particularly in Norway and Sweden, which led to sterilisation laws in the 1930s (Broberg and Roll-Hansen, 2005). The renowned systems of arbitration and conciliation of Australia discriminated against women and natives. Natives in Australia would have to wait until 1966 for the first ruling that acknowledged equal pay with whites; although women entered the labour markets in earnest during and especially after the Second World War, the system of arbitration

discriminated against them until 1954 (Whitehouse, 2004, 211-220). But the logic of conciliation and arbitration could easily be expanded to cover women and natives after the 1950s. Southern Cone policies reproduced some of these inequities (e.g. favouring men over women) but were ultimately less successful as they could not promote wider cooperation. In other words, exclusionary institutions could become inclusive. The logic of inclusion became relevant: the fact that top-down progressive policies favoured urban male workers also meant that in the long-run, rural, native and women workers would be in a disadvantage.

This thesis contributes to understanding the persistence of inequality in one of the most unequal regions of the world by looking at three cases which consciously tried to become more equal. I challenge existing explanations that reduce inequality to zero-sum games between clear-cut social actors without paying attention to the patterns of interaction that social policy created. In the Southern Cone, the interaction between state, and social and economic actors failed to create a wider sense of collective responsibility and solidarity which would have made redistribution more stable over time. Dependence to short-term favours (some would prefer to talk about patrimonialism or reciprocity), not autonomy, underpinned the interaction between emerging social actors. These are the processes that explain why the usual predictors of inequality (taxation, labour market regulation, education) behave so differently across the three regions.

1.4 Organisation of chapters

This dissertation studies the conditions under which reform in labour markets, human capital formation, and taxation affect the evolution of income inequality by comparing three geographical regions. The historical riddles this dissertation seeks to illuminate can be stated as general research questions:

- *Why does income inequality persist in the Southern Cone despite considerable*

experimentation with progressive reforms in the early 20th century?

- *Why did Australasian and Scandinavian patterns of decreasing inequality converge over the 20th century?*
- *Why did the pattern of the Southern Cone diverge from Australasia and Scandinavia?*
- *Why did the pattern converge within Southern Cone countries?*

From these general questions, more specific questions emerge. Chapter 2 presents comparative data on income inequality and asks:

- *How unequal were these countries at the beginning of the century?*
- *What were the patterns of income concentration among elites, workers and middle classes?*
- *How much income inequality did labour markets produce?*
- *Do differences in demographic structure affect the evolution of inequality after the 1940s?*

Chapter 2 confirms that the Southern Cone remained more unequal than the other two regions and that differences in demographics explain some of the persistence of inequality in Chile, but not necessarily in Argentina and Uruguay. Income distributions were more comparable in the past.

Chapters 3 to 5 offer the bulk of the empirical analysis broken by explanations on labour markets, education, and taxation. They all explore the conditions under which progressive reforms worked to sustain long-term trends. Chapter 3 considers the regulation of labour markets:

- *How were wages set in the three regions?*

- *What effects did wage-setting mechanisms have on labour and capital capacities to organise?*
- *What bargains were struck between governments, political parties, employers, and workers to sustain cooperation with wage regulation in the long-term?*

Given that the three regions regulated wages, questions remain as to whether skill differentials affected the distribution of income. Chapter 4 studies the patterns of human capital accumulation and their relation with inequality. It considers the historical legacies of educational systems, top-down reform, and the disposition to attend school given demographic and social constraints.

- *Did education reform in the three regions translate into human capital?*
- *Did reform promote inclusion of the poor and mass compliance with free public education?*
- *Did variation in demographic behaviour and health outcomes condition human capital accumulation?*

If labour markets are a source of income inequality, either through scant regulation or through skill differentials, we would also expect that generous taxation and social spending would redress market inequalities. Chapter 5 looks into taxation and welfare policies to investigate how governments provided insurance and redistributed income. It studies the patterns of inclusion and long-term cooperation with taxation and spending.

- *How progressive or regressive were taxation policies in the three regions?*
- *Under what conditions compliance with greater taxes and spending became sustainable?*
- *Did the patterns of inclusion into social policy vary between countries?*

Chapter 6 concludes by placing these results in light of contemporary debates on in-

equality. It looks at the evolution of inequality after these policies were implemented and tracks the path dependency that they might have originated.

1.5 Limitations and future steps

As any dissertation, this one has several limitations in design and execution. The scope of the comparison is wide enough to prevent a detailed case study but, at the same time, the theoretical questions I track advise the inclusion of a greater number of countries at a regional level. Perhaps the analysis of other small export countries could undermine the findings of this dissertation. Costa Rica comes to mind as it began in a very different set of circumstances but might have become more egalitarian. However, its levels of development in the second half of the 20th century converged with the Southern Cone. In the same vein, including what at the surface appear to be the more pro-labour regimes in Cuba and Venezuela confirms the relevance of cooperation, autonomous group capacities, and long-term policy design.⁴⁶ Finland could provide a more extreme case to support this dissertation's findings: it converges with the rest of Scandinavia after experiencing traumatic events that made compliance and planning more imperative for the country to survive.

In addition to coverage, the availability and comparability of data are crucial. Data are not always comparable and are aggregated from very different sources. Future research might add enough time-series to model comparable processes. But even if future work produces more refined predictions we would still need to answer the riddles posed by this dissertation. What mechanisms link significant correlations between social policy and inequality? What do aggregate variables tell us about the individual and group-level dynamics that occurred at the time? The dissertation is concerned with the inner logic of these processes and the combination of historical narrative with the quantitative

⁴⁶Their recorded Gini coefficients do not seem to be lower, at any point in time, to those of Argentina and Uruguay (UNU-WIDER, 2011).

information we have is a step up in that direction.

The time-frame can also be questioned. Findings for the early 20th century might not affect later developments. Yet, this period makes the comparison puzzling. It coincides with the beginning of industry, of distributional conflict, and of the welfare states. Later events such as the growth of finance and neo-liberal policy, cannot be understood without reference to the problems of collective action that previous reforms tried to solve. Debates on income protection, wage solidarity, and human capital formation today look remarkably similar to those in the early 20th century. Other patent forms of discrimination and inequality, e.g. between men and women, natives and non-natives, can as well be deduced from policies in these three areas and offer good prospects for further research. So while I expect significant contributions and the mining of new data in the future, I believe that the findings and discussions surrounding this dissertation will hold for the time to come.

Chapter 2: Income Inequality

2.1 Introduction

How unequal have these countries been during the 20th century? Have the patterns of income distribution varied over time? Do they follow a clear regional trajectory? These questions are hard to tackle because the distribution of income is not easy to measure. We will never be certain if the absolute levels of inequality are strictly comparable between countries; let alone if differences are statistically significant. Calculations might follow the same methods, but sources vary. The problem is acute today despite the best efforts to make figures comparable by international organisations like the World Bank or the OECD, but it is even harder for historical inequality. Tax records, wages in industry and agriculture, survey questions on household incomes provide each country with a unique set of sources to measure the distribution of income. But data are not generated in the same way as population coverage and information varies across countries. A critical problem is to get reliable information for both top and bottom incomes as individuals in these groups might be less likely to show up in surveys or tax records. On the plus side, these different sources provide us with consistent trends for each nation, so while between-country comparisons should be taken with extreme care, within-country processes are more reliable.

Besides intrinsic problems of sources and population coverage, comparability is harmed by structural factors that are not easily quantifiable nor factored into analyses of in-

equality. The degree to which the economies were monetized at the beginning of the 20th century affected the main sources of wealth and income. Were most workers labouring under the “cash nexus” or were their wages complemented for instance, by board and foodstuff? Are firm-related benefits and non-wage insurance a relevant source for variation between countries? Demography too conditioned the number of people in productive ages. As Esping-Andersen (2007) notes, higher inequality can be a temporal outcome driven by a large number of dependants among the poor, and the earning profile of different age groups is reflected in the demographic structure. Can we compare inequality if demographic structures are not similar? It follows from these considerations that measuring and ranking inequality across countries is not straightforward.

Despite these problems, data confirm the basic *explananda* of this dissertation. This chapter shows that (1) Southern Cone societies are more unequal than Antipodean and Nordic nations, and (2) that the divergent trends of income inequality began during the first half of the 20th century at a time when progressive policies were introduced in the three regions. While the chapter casts this dissertation’s puzzles into empirical light, I go beyond testing these two assumptions to show how inequality affected different segments of the population. I discuss the evidence from three angles. First, I review literature on pre 20th century inequality to assess how comparable the starting position of these countries was. Second, I examine data and literature based on tax records to zoom into the income of the rich to look for patterns of elite concentration. Third, I use information from industrial censuses to assess wage inequality among workers and middle classes – the type of groups that benefited through progressive reform. By looking at different aspects of inequality, the data give us a better picture of the trends and levels in each region and help us identify the likely “losers” and “winners” of social reform. After considering the data I elaborate on potential problems of comparability given these countries’ demographic profiles. A final section summarises the chapter.

2.2 Historical legacies

Interest in historical inequalities has soared, inspired by new data and concern that inequality hampers economic development.¹ Research has been able to quantify the degree of inequality in the Latin American past and put numbers onto long held convictions of large and permanent social inequalities (cf. de Ferranti et al., 2004). The study of historical inequality is a double-edged sword: on the one hand, information on wages and prices allow us to quantify and track the evolution of inequality over time, on the other, the calculation of income distributions is riddled with assumptions based on incomplete sources and thus carries the peril of extrapolating and concluding too much from scant information. Lack of reliable data could lend itself to myth making.

As mentioned in the introduction, some scholars conclude that inequality in Latin America, the Southern Cone included, has been conditioned by past colonial experiences which the advent of a global economy made even more regressive. Colonial power structures would map into the income distribution of these countries even today (cf. Acemoglu et al., 2001). Other scholars however, conclude that the income distribution of pre-modern Latin American nations resembles that of other pre-modern societies and has fluctuated over time (cf. Williamson, 2010, 2015).

These different approaches are conditioned by what is actually being explained. Inequality serves as an intervening variable, usually condensed into an institutional form, to scholars seeking to understand differences in long-term development (cf. Acemoglu et al., 2005). As a result, their work conflates power differences with income inequality and the structure of property rights. Inequality is then measured as a dummy for colonial experience or through the insecurity over property (see Acemoglu et al., 2001, 2002). It is no surprise then that these factors yield more permanent outcomes as they

¹An early example are the projections from 1900s data to the 1800s from Bourguignon and Morrison (2002). They arrive to a distribution of income that puts the Argentinian-Chilean block on a very comparable footing to Scandinavia up to the 1940s.

denote structural processes. Alternatively, scholars that seek to understand differences in inequality itself have come up with a variety of measures that are more closely connected to the actual distribution of income. They too conclude that inequality and institutions affect development (cf. Willebald, 2007), but their measures are more sensitive to changes in the world economy and the supply and demand for labour. This line of work draws a more nuanced picture of income inequality where the Southern Cone countries evolve in a more comparable way to nations outside Latin America up to the 1930s (cf. Williamson, 2010).

Our opinions of the past are formed by our perceptions of the present: we often regard Scandinavia as relatively equal, Australasia as egalitarian but more unequal given recent liberal reforms, and the Southern Cone as unequal given its historical legacies and the traditional role of its elites. But what do data say about inequality just before the beginning of the 20th century? As expected, inequality in the Southern Cone countries is large. Taking two extreme points in the income distribution, Williamson (2002) has documented inequality through the ratio of income accruing to landowners, from land prices and sales, to an average wage for unskilled urban workers. His data support the image of high inequality in Argentina and Uruguay, which increases with the export boom of the late 19th century, but also of increasing inequality in Australia and New Zealand. This is not surprising: although deprived of a landed nobility, land inequality increased in Australia during the 19th century (Thomas, 1991). The question on how to break land monopolies became a dividing political issue in both Australia and New Zealand.² Williamson (2002, 1999) shows how landowners were able to earn more relative to low-paid urban workers in countries that had competitive advantages in farming

²Discussing social policy in these countries, Mendelsohn (1954, 114) argued against the common notion of an egalitarian Australia of independent small farmers: “Widely regarded as a country principally of small prosperous farmers, Australia is in fact a land of great landowners and of heavy industrialization: throughout this century the proportion of factory workers to total population has been greater in Australia than in the United States. There are, indeed, many small farmers, who are far more prosperous than the peasants of Europe; but they form a minority of the population, and historically the smallholder had to await the heavy land taxation designed to break up large estates after the bulk of the land had been alienated into large holdings”.

and husbandry. In contrast, the ratio in Sweden, a nation with less available land, shows an improving situation among unskilled workers.³ Trade coupled with unequal access to land was a structural feature of inequality in Australasia and the Southern Cone.

Returns to land reflect wealth which is easily transmitted and hence a more permanent source of inequality than other sources of income. If property of land combined with global trade were the driving forces of inequality, then there is room for supporting Acemoglu et al. (2005) insistence on colonial heritages – assuming that landed elites remained the same over time. The connection is more complex as Australasian and Southern Cone abundance of land created unequal structures of ownership even if their colonial legacies varied (Frankema, 2010b) – not to mention that Southern Cone colonial elites were transformed during the 19th century and were not particularly rich until the end of that period (Adelman, 1999a; Gelman and Santilli, 2006; Nazer, 2000). Figure 2.1 exhibits information on the distribution of land holdings compiled from national and Food and Agriculture Organization (FAO) censuses. Clearly, land was more unequally distributed in the Southern Cone and Australasia than in Scandinavia.⁴ Would these numbers alone give us any insight on the durability of inequality in the Southern Cone or its difference with Australasia? To start with, the numbers are computed from information on holders and hide therefore, information on the landless. Arguably then, rural inequality would have a larger impact in the Southern Cone, particularly Chile, which is the less urban of the countries in these two regions at the start of the period. The same numbers, however, compute both arable and non-arable land which boosts the numbers of larger countries with a lower population density.⁵

³Bohlin and Larsson (2007) show a lower decline of inequality for Sweden that reflects the fact that land prices benefited from increased agricultural productivity. Even in Scandinavia, where small farmers were considerably protected, landlords absorbed many of the smaller farms and consolidated large landholdings towards the end of the 19th century (Agriculture, 1921).

⁴Urban property could have been as unequally distributed as rural land (cf. Lindert, 1987).

⁵Numbers for Chile after land reform in the 1960s and 1970s look robust with Ginis above 80 in the 1980s and 1990s (see sources in table). Including arable land and the landless however, the Ginis can go down to 60 (Anriquez and Bonomi, 2007). Numbers for the Southern Cone and Australasia remain around 80 after the 1970s.

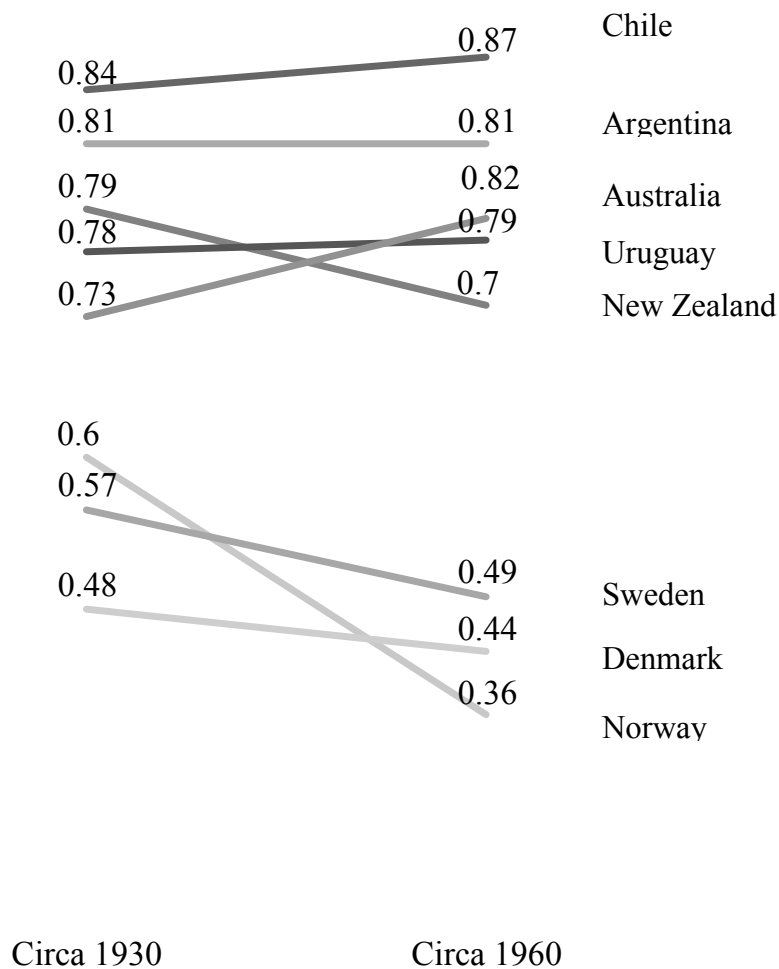


Figure 2.1: Gini coefficient of land holdings

- *Sources and notes:* Frankema (2010a, 430,449), de Ferranti et al. (2004, 191). See also Finch (1981, 68). Communal land held by the Maori is excluded for calculations in New Zealand (cf. FAO, 1955).

Understandably, land concentration stirred popular responses in both Australasia and the Southern Cone, and informed much resentment against the oligarchy in the latter. The question is how land (wealth) inequality might have affected income inequality of growing urban economies. One answer would be that landed interests retarded or opposed progressive reform (cf. Sokoloff and Engerman, 2000). The landed elite's hold of politics in Argentina and Chile up to the 1940s is well documented (Smith, 1974; Bengoa, 1988) and it is only too logical to extrapolate from past power structures the persistence of inequality into the second half of the 20th century (Rodríguez Weber,

2014; Barraclough and Domike, 1966).⁶ A straight extrapolation generates more questions than answers, as landed elites could not oppose redistribution completely in the three settings. A risky context made them favour certain types of redistribution to keep social tensions at a minimum. For instance, progressive policies were introduced when landlords and conservative forces had considerable leverage in national politics.⁷ In addition, considering the landless and urban migration, land in itself became less deterministic of urban wage inequalities (cf. Erickson and Vollrath, 2004). In this respect, the income inequalities of Scandinavia and Australasia converged for most of the 20th century despite beginning the period with markedly different levels of land concentration.

Zooming into income itself, historians have tried to reconstruct income distributions by putting together information from national censuses and average wages and returns to capital and land for a range of occupations and professions. In this fashion, they create social tables by which one can look into the distribution of income between social classes (rather than individuals). Resulting numbers can be an accurate estimate if within-classes inequality remains low, but can underestimate or overestimate inequality given individual differences. In addition, resulting information captures both sources of wealth and income, mixing structural and more contingent sources of inequality. Milanovic et al. (2010) calculated a Gini coefficient of 64 for Chile in 1863 – which is certainly large given contemporary figures but similar to other pre-industrial societies.⁸

⁶Przeworski and Curvale (2008) link a small number of *haciendas* to the slow evolution of democracy within Latin American countries. However, *haciendas* organised social relations and protected some rural communities from extractive states and slavery (which was prevalent in places where such types of landholdings did not exist) thus having some positive economic impact through the creation of public goods. The point appears repeatedly in Peruvian literature, for instance in the works of Mario Vargas Llosa, and in economic research (Dell, 2010). Although extensive land for cattle prevented the emergence of *haciendas* in Argentina and Uruguay, unlike Chile, in the three countries land could be used as collateral for credit to help elites adapt to the industrial economy of the late 19th century (access to credit was restricted as banks were slow to develop in Latin America (cf. Haber, 2010; Jones, 1985; Volk, 1993).)

⁷There is nothing extraordinary of the landed elites' sway over politics in the late 19th century Southern Cone (Lindert, 2007, 68); business leaders and landlords controlled key political offices in the US, Australia, and Scandinavia as well up to the 1920s (Dahl, 2005; Plowman, 2004; Baldwin, 1999). In 1901 half the members of the Danish lower house were farmers and landlords (Manniche, 1969, 39).

⁸These numbers should be taken with extreme care as Chile appears more unequal than slave-owning

By this method, Chile results the most unequal of the three Southern Cone societies. (I later discuss problems in assessing whether these numbers are significantly different.) Bértola et al. (2010, 2009) compute a Gini of 52 for Argentina, of 59 for Chile, and of 48 for (urban) Uruguay in 1870 and increased during the economic boom of the late 19th century up to the 1920s.⁹ It is however, very difficult to deduce too much from these numbers as their generative processes naturally vary over time and across regions. In that sense, the Gini coefficients reported by the Clio-Infra dataset show a lot of variation between and within regions (van Zanden, 2015): *circa* 1890, Sweden scores 60, above the other two Nordic nations (40), Australia (39), Argentina (44), and Chile (55). The fact that coefficients in societies within regions overlap is a good indication that differences between regions might not have been as large as they are today (only around 1940 does the Southern Cone begin to look completely different to the other two regions' levels).

To assess the departure point better, we can look into available individual-level information. Take two very different economies in our sample: Argentina and Norway. With years of internal strife after independence and facing international conflict with France, the Province of Buenos Aires commissioned a census to assess property and raise revenue in 1839. Gelman and Santilli (2006) use it to calculate the distribution of wealth among 5427 landowners. The census exhibits large differences; the richest 10% amass 56% of capital while the poorest 40% collects only 7% of capital (Gelman and Santilli, 2006, 79). The Gini coefficient of property owners yields 68 but if families without capital are included it reaches 84 – which is certainly above contemporary levels of 70 for wealth distribution in most capitalist nations (Gelman and Santilli, 2006, 80-5).

societies like Brazil or peasant societies like China.

⁹Considering both urban and rural incomes, Uruguay records Gini coefficients of around 50 for the first 30 years of the 20th century (Bértola, 2005), while the high levels of Chilean inequality decrease briefly as a consequence of frontier expansion in the late 19th century. As these calculations assume returns to land, the opening of new land is bound to have an equalising effect (Rodríguez Weber, 2009). One reason for the Chilean figure is the high returns of mining at the close of the century (an effect somewhat offset by capital returns to foreign investors).

They note that inequality remained high even though small properties grew during these decades. Trying to convert wealth into an income distribution by assuming wages for families without capital and a return to capital of 10% to property owners, the resulting Gini is around 42, in line with contemporary figures for Argentina (Gelman and Santilli, 2006, 164) – lending support to the idea that inequality is both high and structural but not exceptional.

Norway was under Swedish rule for most of the 19th century, enjoyed some limited economic success, and was politically more stable than Argentina. Soltow (1965) looked at the tax files of males living in cities in two regions (Östfold and Vest-Agder) from the 1840s up to the 1960s. His income concept includes estimates for in-kind incomes, imputed rents, and capital gains and losses, and shows that inequality varied in these two regions. Several cities exhibited Gini coefficients above 70. The Östfold county had a Gini of 63 in 1850 (suddenly declining to levels around 40 in the late 19th century); Vest-Agder of 57 in 1840 (but increasing to 73 in 1855). Including rural incomes would probably have yielded larger income and wealth inequalities, but just the urban levels look close to the Provincia of Buenos Aires.

The preceding paragraphs present a very general sketch of inequality before the 20th century. They suggest larger income inequalities than the ones we are used to see today, partly because measures capture wealth. Although methods and sources vary, they also suggest less differences between the three regions than the ones we perceive now between them. The data are aggregate and say little on the type of social and economic relations that existed in the past: numbers show large concentration of land and income, but less international differences than we would expect given their historical legacies and contemporary levels of development. The remaining sections move into the 20th century to provide the empirical context of this dissertation.

2.3 The rich

We want to know the amount of income accruing to the rich to understand how well elites could organise to extract resources from society. Tax records have enabled researchers to compute the participation of taxpayers' income in total national income. As income taxes are usually levied on the rich and middle classes, the data allow for the calculation of different levels of concentration. Figure 2.2 shows the income claimed by the richest 1% of incomes (taxpayers) in Argentina, Australia, and Sweden during the 20th century. These figures are just illustrative of the trend of concentration and depict the convergence of declining inequality in Sweden and Australia up to the late 1970s and the divergent, more erratic, pattern of Argentina which contains abrupt changes.¹⁰ After the late 1940s the quality of income taxation information in Argentina, an issue I take up in chapter 5, declined and was marked by evasion and low yields which explains the few unreliable and sparse data points (Sánchez Román, 2012).

According to these sources, the levels of concentration in Argentina in the 1930s are in the same range as the Swedish ones during the First World War¹¹ but markedly higher than in Australia. The recovery of the international meat market drives the sudden rise of inequality in Australia in the early 1950s but has no effect on the rich of Argentina whose exports were subjected to state monopoly (Alvaredo, 2010). The subsequent convergence of declining levels of concentration in Australia and Sweden are also found in the other Antipodean and Nordic countries although from a variety of starting positions.¹² In fact, Piketty (2014) and Atkinson and Piketty (2010, 2007) find that most

¹⁰As Taleb and Douady (2014) demonstrate, modeling, in this case upper, tails of a distribution is extremely difficult: yearly variations could result from a statistical artifact as the *n* is very small (particularly in the case of Argentina that levied taxes only on the rich). However, the trends that these data tell are corroborated by other sources that I discuss in this chapter.

¹¹When the rich benefited from better international prices for iron-ore exports (Söderberg, 1991).

¹²In Denmark, the top income share of married couples increases from 16% to 17% from 1903 to 1917 but then drops to 13 and 14% in the late 1930s (Atkinson and Sogaard, 2013); in Norway, the share of the top 1% drops from 20% to 13% between 1900 and the late 1930s (Aaberge and Atkinson, 2010); in New Zealand, the top income share of married couples and single adults drops from 11% to around 7% from 1921 to the late 1930s (Atkinson and Leigh, 2007b). The pattern of declining and converging inequality

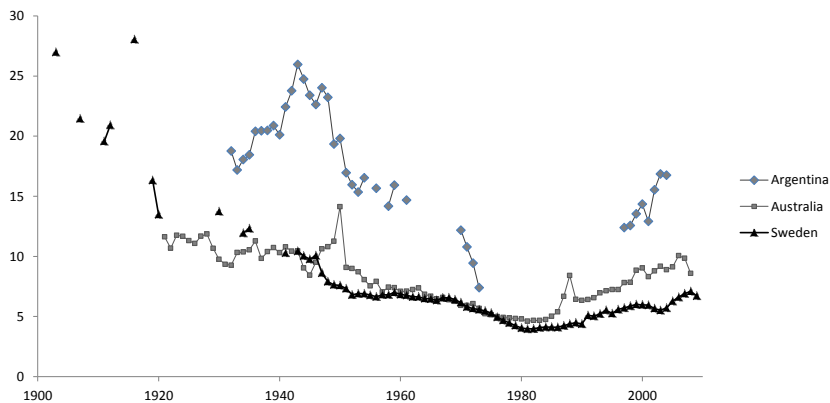


Figure 2.2: Top 1 percent share of national income in Argentina, Australia, and Sweden, 1900-2000.

● Source: Alvaredo et al. (2012).

of the West experienced a drop in inequality up to the late 1970s as fortunes were hit while the participation of wage earners in tax statistics increased. Wages rather than wealth began to determine income inequality.¹³ The Argentinian data does not allow to confirm this model because of the political conditions that led to mass tax evasion since the 1950s; besides data pick up wealth as wages were largely exempted from taxes.¹⁴

Table 2.1 lists the top 1% concentration of income in different periods of time for the rest of the century. Data suggest that in the 1930s and 1950s, Southern Cone concentration was around the 20% mark while that of the other two regions was already half that number, just a few years away from major distributive reforms.¹⁵ The numbers should be taken with much care for the Southern Cone as sudden changes reflect polit-

continues up to the late 1970s in all these countries.

¹³Returns to capital explain the increase of concentration in most of the West after the 1970s, and indeed the Swedish figures look remarkably close to Australia and the Anglo-world if capital gains are included in the trend (Roine and Waldenström, 2010).

¹⁴Rich professionals are absent from the statistics. Unfortunately, lack of taxation data prevents extending the comparison to Chile and Uruguay (see chapter 5). From social tables, Rodríguez Weber (2009, 64-5) estimates the income held by the top 1% in 19% of national income in 1907, placing Chile close to Swedish figures at the time, and in 27% of national income in 1930, close to Argentinian levels.

¹⁵Norway experienced a sudden increase of inequality in the mid 2000s but it has traditionally oscillated between 7 and 8% for most of the 1990s and 2000s – still a significant increase from levels of 4 and 5% in the 1970s and early 1990s (Aaberge and Atkinson, 2010).

ical and economic volatility. Take Chile for instance: from tax returns, concentration at the top 1% fluctuates between 5% and 15% between the 1960s and 1970s, with the trend increasing in that period (Flores, 2011); estimates of concentration from household surveys in Santiago range around the same figures, but show a markedly increase of concentration between the late 1980s up to the late 1990s (and do not show a distinct increase from the 1960s to the 1970s) (Sanhueza and Mayer, 2009); and the figures reported in the table, which are constructed from social tables, oscillate between 30 and 15% between the 1930s and 1970 with no clear trajectory (Rodríguez Weber, 2014). In comparison, top income shares have only been computed recently for Uruguay, due absence of income taxes over the century, with the top 1% taking 14% of national income home in the 2000s (Burdin et al., 2014). These considerations indicate that while the pattern of decline of top income shares for Australasia and Scandinavia followed a more clear downward trajectory between the 1920s and 1970s, concentration in the Southern Cone has been more erratic and has ended the century with levels of concentration that are perhaps comparable to the early 20th century.

Table 2.1: Top 1% of national income, selected years

	<i>Circa 1930</i>	<i>Circa 1950</i>	<i>Circa 1970</i>	<i>Circa 2000</i>
Argentina	19	20	12	17
Chile	24	16	16	16-23*
Australia	10	14	6	9
New Zealand	11	10	7	9
Denmark	14	9	6	6
Norway	13	9	6	10
Sweden	14	8	6	6

- *Sources and notes:* See text for explanations as estimates in the Southern Cone are questionable and are given to illustrate concentration. Data are taken from (Alvaredo, 2010; Rodríguez Weber, 2014) and *for Chile in the 2000s, from tax returns, in Fairfield and Jorratt (2014). See text for Uruguay.

The fact that we can use Nordic and Antipodean tax statistics unlike their Southern Cone counterparts tell us already something about existing tools for redistribution. Tax statistics in Australasia and Scandinavia are aggregated from tax returns from (almost)

all the adult population; tax statistics in Argentina cover the wealthy and exclude wage-earners. Accordingly, the former can compute different levels of concentration from a variety of income sources.

After the 1970s the rich in the three regions begin to converge: with capital gains included in the figures, the rich in Scandinavia close the gap on their Australasian and Southern Cone counterparts (Roine and Waldenström, 2010). Today, the rich in the Southern Cone look quite ordinary compared to the rich in the other two regions. Figure 2.3 shows the number of resident billionaires, as listed by Forbes, by million inhabitants. More billionaires live in Australia, Norway, and Sweden than in the other countries. If we take into account their economic contribution, billionaires in Chile and Sweden might account for 14 and 19% of their national GDP respectively; in the other countries they oscillate between 2% in Argentina and 8% in Denmark (using GDP and population figures of World Bank (2014b)).¹⁶

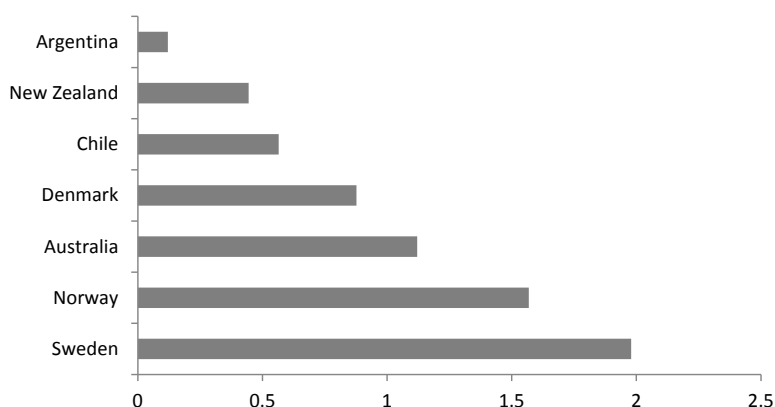


Figure 2.3: Resident billionaires per million population in 2014.

- *Source:* Data for rich from Dolan and Kroll (2014) and population is for 2013 from World Bank (2014b). See also Baldwin (2011).

¹⁶Sweden, which is one of the most equal countries considering disposable income and wages, is one of the most unequal in the world considering wealth disparities. Furthermore, its billionaire list excludes some prominent fortunes. For instance, the Wallenberg family which owns between 40 and 50% of the value of Stockholm's Stock Exchange (Baldwin, 2011; Högfeltd, 2005). As Baldwin (2011, 189) notes "one third of Sweden's richest families, who own two-thirds of its largest fortunes, live abroad. In this manner, the Swedish tax authorities have arguably made their country more egalitarian. Not richer, of course, since the wealth has been exported, not redistributed, but more equal".

Economic elites have consistently taken a significant share of national income in the Southern Cone: they were not subject to the levels of taxation of the other two regions. This raises questions on how taxation and redistribution have operated since the introduction of progressive policies at the beginning of the century, i.e. who funded equality projects? (an issue I explore in chapter 5). These numbers also leave questions on how emergent middle and working classes fared: if wages became the most important source of income we need to know how market incomes were distributed over time.¹⁷ In sum, the preceding paragraphs allow us to clarify two important points. The first is to know how much the rich have accumulated over the 20th century to check if the patterns of concentration have remained stable. The second is to know when the national trajectories began to differ. The data suggest that (1) elite concentration was more comparable at the start of the century between the three regions than today, and (2) that elite concentration declined in Australasia and Scandinavia from the early 1920s to the late 1970s while it remained at high levels in the Southern Cone despite abrupt changes in some periods. Elite extraction was not exceptional, but in the Southern Cone it has remained constant even if wealth concentration looks more comparable in the last 10 years. Because the trends appear to diverge more clearly after the 1920s, the regional differences and similarities are specific to a certain period or events at the beginning of the 20th century. If that is the case we need to understand which set of policies might have affected the income distribution of the three regions in that period and document the income distribution, largely driven by wages, to account for regional variation.

2.4 Workers and middle classes: evidence from the labour market

Did workers benefit from declining elite concentration in Australasia and Scandinavia? Did earnings exhibit a more erratic pattern in the Southern Cone? Information from wages gives us an idea of how salaried workers fared during the century. Labour shares,

¹⁷This is particularly important as we see today more concentration at the top while wage distributions have remained comparably more stable.

the amount of wages received by employees relative to national output, provide us with a kind of reverse to capital concentration (cf. Kaelble and Thomas, 1991).¹⁸ Large numbers could indicate both less inequality and the expansion of a wage economy.¹⁹

Available numbers confirm the trends and inconsistencies of top income shares. From the 1930s the labour share of Argentina and Chile increases from around 40 to 50%, peaking briefly in Argentina around 60% in the late 1950s but then dropping consistently and settling back to 40% in the 1980s (International Labor Office, *various years*; Frankema, 2010). In contrast, the labour share in Sweden steadily climbs from 45% in the 1910s to over 55% in the late 1930s (Bengtsson, 2012, 5). Excluding the late 1940s and early 1950s, when shares decline to around 50% in Australia and New Zealand, following the recovery of international trade, the labour shares of Australasia stabilise over 60% and reach 70% in the Nordic countries in the late 1970s (International Labor Office, *various years*).

Labour shares hide how monetary income is distributed among wage-earners. One way around this problem is to focus on industrial inequality. We usually have access to information on the industrial structure at the country-level and the distribution of wages and workers in each industrial branch.²⁰ I follow Conceição and Galbraith (2000) to compute inequality between industrial sectors based on information on wages and the number of workers in each sector. Data come from early industrial censuses and national statistics that put together information on a mix of crafts and factory works. I use the Theil index to calculate the dispersion of wages as a function of industrial sectors' demographic weight and their share of total wages (i.e. a sector employing propor-

¹⁸This is not the exact reverse, say, of top 1% concentration: labour shares measure the weight of total wages in the economy which includes salaries earned by the rich.

¹⁹On the sociological difficulties of expanding the cash-nexus and the wage economy in Latin America see Cousiño and Valenzuela (2012).

²⁰Labour income and wages are more easily comparable as they are not affected by taxes or diverse national definitions such as when computing household incomes from surveys (Gottschalk and Smeeding, 2000).

tionally less workers but receiving proportionally more wages increases inequality).²¹ As within-sector dispersion is not reported, I compute the Theil for between-sector inequalities.

Figure 2.4 divides the results in two periods, one before the war and another from the 1940s up to the early 1970s. The first period is an average of available information to assess the starting point of the industrial economies of the three regions. Somewhat large numbers in Australia and New Zealand hide the fact that their levels of industrial inequality had been declining from the early 1900s up to the 1930s, although they increase again up to 1938. In general, the pre-war period is more comparable between the three regions while a clear divergence occurs after the 1940s. Inequality decreases in the Southern Cone for a brief period in the early 1970s but other studies show an abrupt and clear increase after the 1970s (Frankema, 2011).²²

According to Conceição and Galbraith (2000) and Conceição et al. (2001), the index works as a proxy for general inequality if wages within sectors are similar and a relevant proportion of the active population is engaged in industrial activities. As an important fraction of workers were still engaged in agriculture and mining activities, the Theil might underestimate general inequality, particularly in Chile and Scandinavia. The pattern that emerges confirms the evolution of top income and labour shares for the second half of the 20th century. The figure outlines the convergence of Australasian and Scandinavian industrial inequality against the more erratic divergent trend of the Southern Cone. Using the same method, Frankema (2011) shows as well little difference of industrial inequality between the Southern Cone, Australia, and New Zealand at the start of the 20th century but a significant divergence after the 1950s – which makes sense,

²¹For calculations, I follow Firebaugh (1999) and compute the Theil (T) coefficient as the sum of the population share p in the i th industrial sector multiplied by the income share r of the i th sector multiplied in turn by the log of the income share r of the i th sector: $\sum p_i r_i \log r_i$. The index measures the distance of wages between sectors adjusting by their share of wages and workers.

²²Unfortunately, lack of industrial censuses or information on aggregate wages preclude a more systematic analysis of Denmark. Equally, the pre-1940 figure for Sweden is an estimate from fewer industrial sectors.

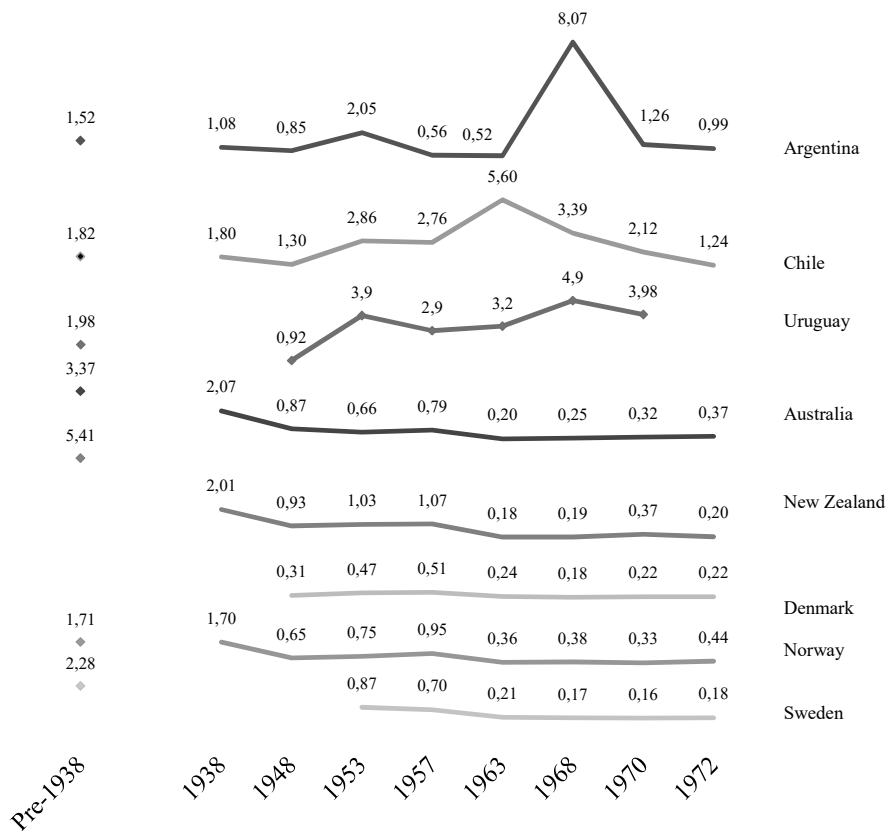


Figure 2.4: Theil coefficient of industrial wage inequality (x 100)

- *Notes and source:*
- Argentina: pre-1938 information from the 1935 Industrial Census in Vásquez-Preseado (1988). Post-1938 information from the United Nations' *Growth of Industry (various years)*.
- Chile: pre-1938 data are an average from 1913 to 1928 from information on 17 industrial sectors in Matus González (2009). Post-1938 information from the United Nations' *Growth of Industry (various years)*.
- Uruguay: pre-1938 information is an average from the Industrial Censuses of 1930 and 1936 in (Universidad de la República, 2014). Post-1938 information are taken from Universidad de la República (2014), United Nations' *Growth of Industry (various years)*, and completed with information from Bértola (2005) for 1955, 1957, 1963 and 1966.
- Australia: pre-1938 information is an average from 1901 to 1937 from 19 industrial sectors (Commonwealth Bureau of Census and Statistics, *Various years*). Post-1938 information are taken from United Nations' *Growth of Industry (various years)*.
- New Zealand: pre-1938 information is an average for 1906, 1915, 1926 and 1935 (New Zealand Census and Statistics Department, *Various years*). Post-1938 information are taken from United Nations' *Growth of Industry (various years)*.
- Denmark: Post-1938 information are taken from United Nations' *Growth of Industry (various years)*.
- Norway: pre-1938 information are an average from 1922 to 1937 (Central Bureau of Statistics of Norway, *Various years*). Post-1938 information are taken from United Nations' *Growth of Industry (various years)*.
- Sweden: Pre-1938 information are an average for 1925 and 1935 (Statistiska Centralbyrån, *Various years*). Post-1938 information are taken from United Nations' *Growth of Industry (various years)*.

as he goes on to argue, as industrial sectors were technologically less advanced than later in the century thus allowing for little inequality between skilled and non-skilled

workers.

The preceding data reflect a lot of instability in the Southern Cone cases. As I will argue in the next chapters, these fluctuations are likely to arise from unsolved distributional conflicts, inefficient mechanisms to reduce risk, and erratic state agencies that were in charge of producing social statistics (e.g. from taxes or industrial censuses). Continuity in statistical information follows continuity in institutions. In the same vein, these data could also suggest further problems in measurement error. Better techniques and government control could record more information, hence giving the impression of more inequality when in reality inequality was always larger; we just could not measure it. However, the Theil for Argentina in the early 1970s is calculated from fewer industrial branches and records a sudden drop in the inequality index. The Argentinian case is clearly one where the provision of national statistics, industrial or from taxes, did not improve a great deal during the 1950s to 1970s.

What is interesting from the industrial Theil index is that these fluctuations in inequality are occurring in a largely formal sector. We will see in the next chapter that informality has been a permanent source of inequality in the Southern Cone. But inequality was not necessarily declining within large, protected, industries unlike Australasia and Scandinavia. Workers benefited from equality in Australasia and Scandinavia while the fortune of workers in the Southern Cone was mixed.²³

Figure 2.5 sketches these trends with individual-level data on the distribution of wages for the second half of the century. The first two columns show the wages of the richest 10% of workers to that of the poorest 15%; the last four columns to that of the poorest 10%. Data for Argentina and Chile come from social security records which exclude

²³For instance, the bottom decile of urban workers in Argentina has constantly received between 2 and 3% of total wages since the 1950s (Galiani and Gerchunoff, 2003). Their counterparts in Australia and Sweden in contrast, have consolidated their earnings to around 5 to 5.5. and 7.5 to 8% respectively (OECD, 2012).

informal workers – and this means that inequality is higher than the actual figures suggest. Figures within a similar range in the 1950s and 1960s imply then that returns for formal workers in the Southern Cone were not as unequal as they would become over time; their numbers might have been comparable to wage earners in the Antipodes and Scandinavia. As I will explain in the next chapter, informal and unprotected workers conditioned the evolution of inequality in the Southern Cone through weakened class solidarity and dual labour markets.

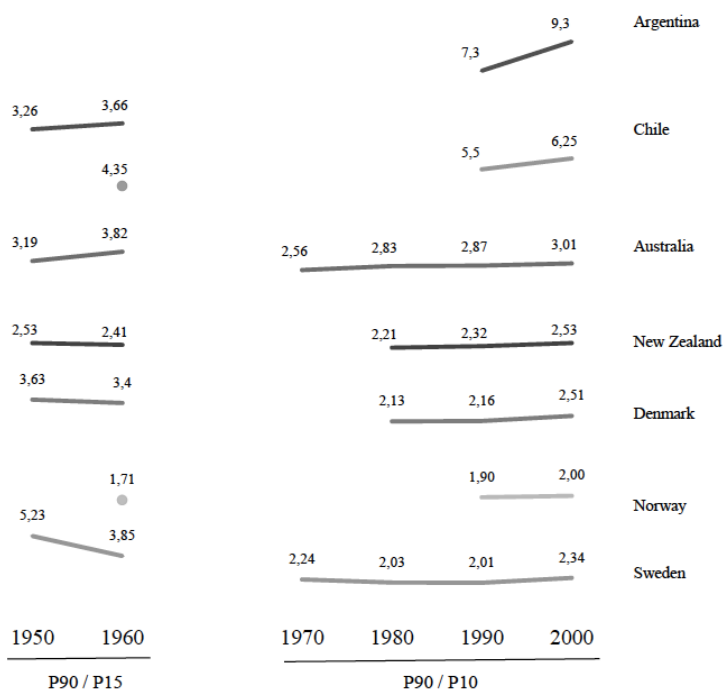


Figure 2.5: Distribution of wages among male employees, 1950-2000

- *Note and sources:* Data for 1950 and 1960 are not comparable as sources vary and are only used to illustrate national trends. They cover male urban workers. Data for Argentina and Chile come from social security records while that of the other countries derive from tax records of industrial workers (pre-tax distributions). They are all taken from Lydall (1968). Data from the 1970s onwards are from International Labour Office (2012) for Argentina and from (OECD, 2012) for the other countries. Unfortunately data for Uruguay are recent but the figure for the year 2000 was 9.5.

Another way to assess the weight of middle classes and salaried workers is to consider their family and household incomes. Social surveys allow researchers to estimate Gini coefficients that are unlikely to pick the income of economic elites (cf. Atkinson and

Piketty, 2010; Atkinson and Leigh, 2007a) but map well the distribution of the wider society. Recent research has tried to build time series of income distributions for the three regions looking at family incomes. Taxes are a good source for Scandinavia and Australasia as most adults fill a tax form. Alternatively, researchers rely on social surveys, social tables, occupational censuses, and information on wages and returns to capital, to construct income distributions for Southern Cone households.

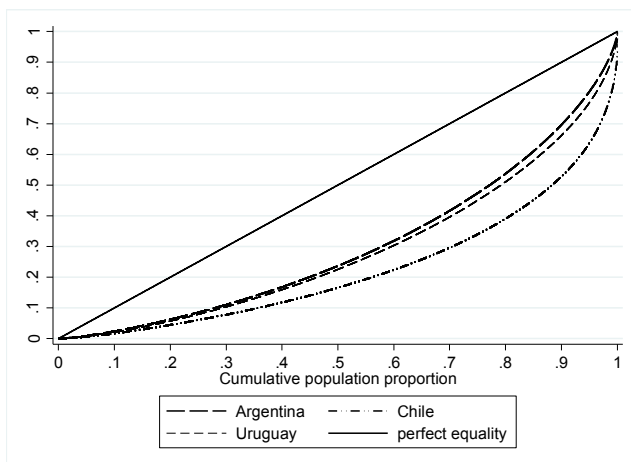
One can begin by looking at the evolution of Ginis of household disposable income for the second half of the 20th century. The database from UNU-WIDER (2011) contains Gini coefficients from tax and household surveys and provides an additional proof of Australasian and Scandinavian convergence from the 1950s to the 1970s, with Gini coefficients stabilising below the 30 mark from levels as high as 50 (see also Solt, 2009). Data for the Southern Cone are patchier, and usually map urban and formal household incomes which are likely to be more equally distributed (including data for rural and informal workers would yield more inequality). The coefficient is usually above the 40 mark, except in the 1960s when it is below 40 in Argentina and Uruguay.²⁴ Urban studies place the Gini in 37 for Buenos Aires in the early 1950s but increasing to 41 and 42 for the rest of the century. Equally, Montevideo scores Gini coefficients of around 33 in the late 1960s but significantly higher afterwards (Bension and Caumont, 1979). Santiago alternatively starts from a higher level of inequality and shows an increasing Gini coefficient from around 44 in the early 1950s to as high as 50 in the late 1960s (Thorp, 1998). Household income dispersion increases in the 1960s but more dramatically after the 1970s in the Southern Cone (Jain, 1975; Hofman, 2000) while it remains more stable (although also increasing) in the other two regions.

²⁴Other estimations however place the household disposable income Gini of Argentina in 40, 42, 41, 47, and 42 in each decade between 1950 and 1990. The increase in Chile is more dramatic from levels of 46 in 1960 to 49 in 1970 and above 50 in 1980 and 1990. A reason for the larger Gini of Chile is concentration at the top: the same surveys suggest that in the 1970s the top decile of Chilean incomes was worth 21% of national income compared to the Argentinian 11% (Hofman, 2000); see also Foxley and Muñoz (1974); Thorp (1998).

Unfortunately, a problem with the Gini coefficient, particularly in these cases where information is aggregated from different sources and distributions, is to establish how significant country-level differences might be. Could a Gini of 42 for Argentina in 1960 be significantly different from a Gini of 46 for Chile in the same decade? We have no access to the individual distribution, hence it is impossible to know. To press the point further, consider figure 2.6 which plots the Lorenz curve, from which the Gini coefficient can be derived, for the hourly wage distribution of adult workers in Argentina, Chile, and Uruguay in 1994 and 2009. According to Hao and Naiman (2010) a graphic way to assess if income distributions could be significantly different is to check whether Lorenz curves overlap. In 1994, the Chilean curve follows a clearly different trajectory to that of the other two countries, hence the Gini coefficients for that year could be said to be statistically different. The point might seem obvious as the Gini of hourly wages for that year in Chile is 55 compared to Argentina's 39 and Uruguay's 42. However, the curves overlap for the bottom 40% of wages in 2009 when the corresponding Gini coefficient is 48 for Chile, 40 for Argentina and 42 for Uruguay. Although the numbers seem very different, they might not be. However, the curves do suggest a pattern that was mentioned earlier: that the top incomes take a larger share in Chile than in the other two countries.

It is then almost impossible to tell if pre-1950 Gini coefficients are comparable. Numbers between the three regions are closer than they are now. Using tax records for males, the study by Soltow (1965) in Östfold and Vest-Agder calculated Ginis of around 40 in 1900 and a decline to levels below 30 since the 1950s. Gustafsson and Johansson (2003) looked at tax records in Göteborg, in Sweden, and estimated Gini coefficients for household income of around 40 in 1925 that decrease to around 35 in 1936. Their calculations compute the Gini from incomes after taxes, so they include early income redistribution. Two censuses in Australia that asked income in dire times – 1915 and 1933 – yield larger figures. The Gini increases from 47 to 50 between those two

(a) 1994



(b) 2009

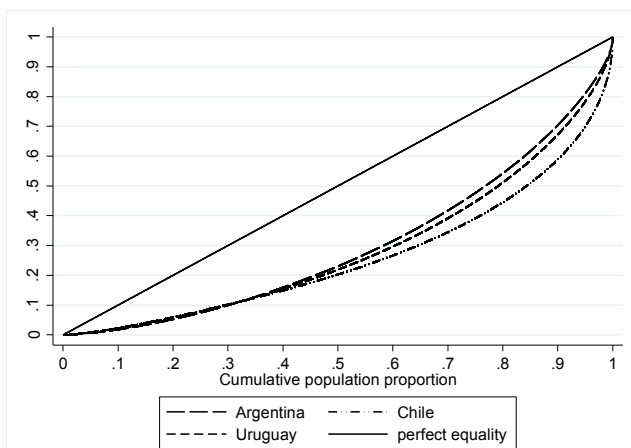


Figure 2.6: Lorenz curve of male hourly wages in Argentina, Chile, and Uruguay.

- *Notes and source:*
- Own calculations from data from national household surveys of Argentina (1995 and 2009), Chile (1994 and 2009), and Uruguay (1994 and 2009) (INE Chile; INE Uruguay; INDEC, *various years*). National distributions were converted into US dollars of 2010.

years, and if 0 incomes are included both years reach above the 50 mark (McLean and Richardson, 1986). Ginis recorded from social tables, imputed wages and rents, for the Southern Cone are always above the 50 mark in the early 20th century but include more sources of income and are calculated from social classes, not households, hence producing numbers that might be below of what we usually expect from social surveys (cf. Bértola et al., 2010; Bértola, 2005; Bértola et al., 2009; Rodríguez Weber, 2009).

Although it is impossible to compute a true level of inequality, the preceding estimates

are pointing towards one phenomenon. Data from wages and tax returns suggest less differences between the three regions at the beginning of the century, stable convergence on declining levels of inequality in Australasia and Scandinavia, and an erratic pattern in the Southern Cone which ended the century with high levels of inequality. Lack of common sources and treatment of income units render however, the above data incomparable. If we stick to the national series, Australasia and Scandinavia halved their Gini coefficients during the first three quarters of the 20th century. Social tables underestimate Gini coefficients as they focus on between-group differences and are likely to conflate wealth and income. They suggest that in the best-case scenario the Southern Cone countries slightly reduced their income inequality during the century (for Chile see Larrañaga, 2010). In the worst case, they suggest a similar and comparable level to that of the early 20th century.²⁵

2.5 Demographic profiles and inequality

An additional source of measurement problems, such as in contemporary cross-sectional research relying on Gini coefficients, is demographic variation. According to Esping-Andersen (2007, 639-40) comparison is “problematic because year-based snapshots lump together people at very different phases of their life courses, from students to retirees, and because they bundle together people with transient (and, thus, trivial) and with persistent (and, thus, “real”) low or high incomes”. The distinction between “transient” and “persistent” is crucial. Populations with a high number of dependants, e.g. children, will exhibit larger levels of income inequality as larger families will have less income than smaller ones. But if these dependants are in education and becoming productive, their entry into the labour market will reduce inequality over time. That source

²⁵Ginis compiled in the Clio-Infra dataset (van Zanden, 2015) provide a similar trend. Argentina, Denmark, Norway, Australia and New Zealand begin the century around the 40 mark; Chile and Sweden above 50. Chilean estimates are the most unstable, and range between 35 and 70 in subsequent decades. Australasia and Scandinavia reduce their levels of inequality while they range between 35 and 56 in Argentina and Uruguay, reflecting an erratic pattern like Chile.

of inequality is then transient, not real. If, however, larger families concentrate among the poor and dependants are not in education, these transient features of inequality are likely to become rooted as “un-productive” dependants will remain poor after coming into productive age. Less dependants will also allow women to enter the labour market, with poorer households benefiting from having two income-earners. Earnings change across the life-course: more productive age-groups receive bigger salaries than less productive (e.g. older) age-groups. When looking at these three regions, are we perhaps comparing countries with different demographic profiles? Might not the large inequalities found in the Southern Cone be a transient outcome?

If Southern Cone societies were younger at the start of the century, we could expect larger income inequalities that would only decline over time given human capital accumulation and the entry of women into the labour market. If, however, fertility remained constantly high among the poor and women were unable to enter the labour market, then we would expect more permanent inequality.²⁶ Figure 2.7 exhibits a higher birth rate for the Southern Cone at the start of the period. The decline of birth rates is also faster in Australasia and Scandinavia. Chile has the most births up to the 1960s, while Argentina and Uruguay reduce their rates. It is plausible to think that larger inequality in Chile is connected to a slower demographic transition. However, birth rates are more comparable between Australasia, Argentina, and Uruguay, but inequality remained higher in Argentina and Uruguay.

Birth rates had an effect on the number of dependants and population structure. Chile is perhaps consistently the more unequal of our cases and its demographic structure remained almost unchanged up until the 1960s. Together with a fast demographic tran-

²⁶Household formation and reproductive behaviour have historically varied by social class and occupation in the Southern Cone. In 1980 Argentina, for instance, the average number of children by woman was less than 3 among white-collar workers but 5 among the non-skilled blue-collar workers (Torrado, 1994). Poor households in contemporary Chile also exhibit higher fertility and less women at work (Salinas, 2011).

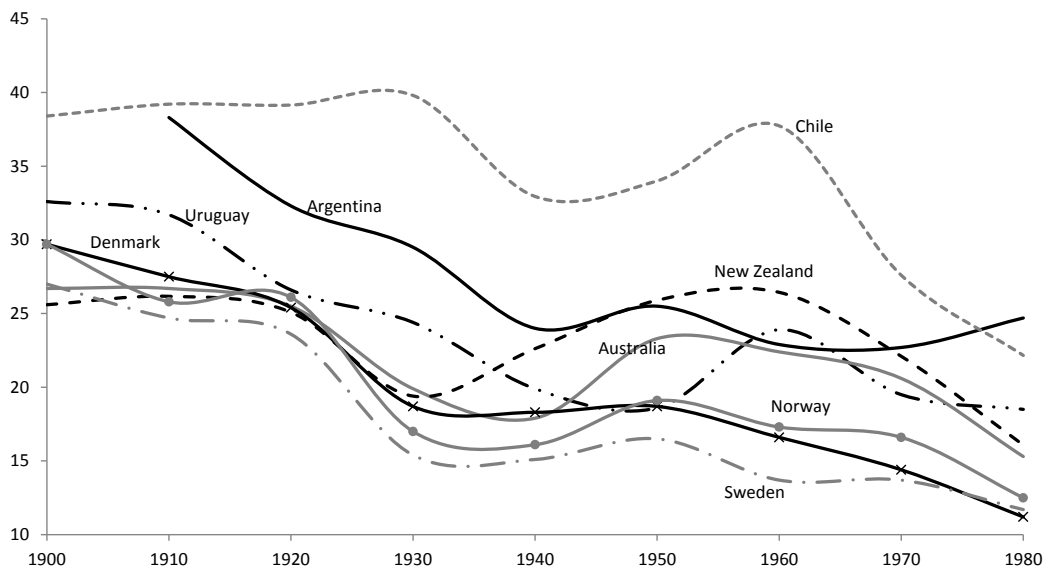
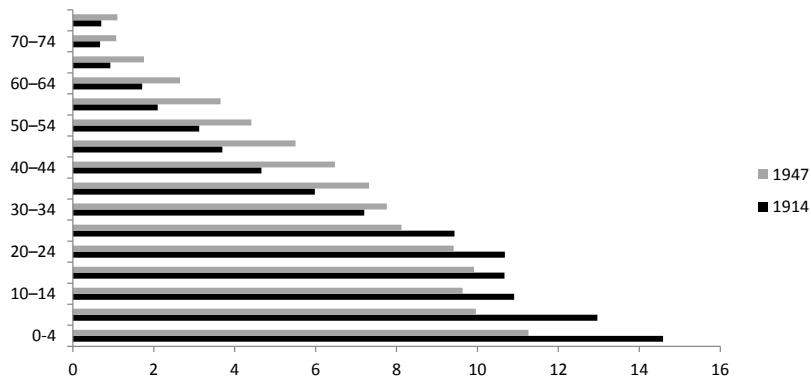


Figure 2.7: Crude birth rates per 1000 population

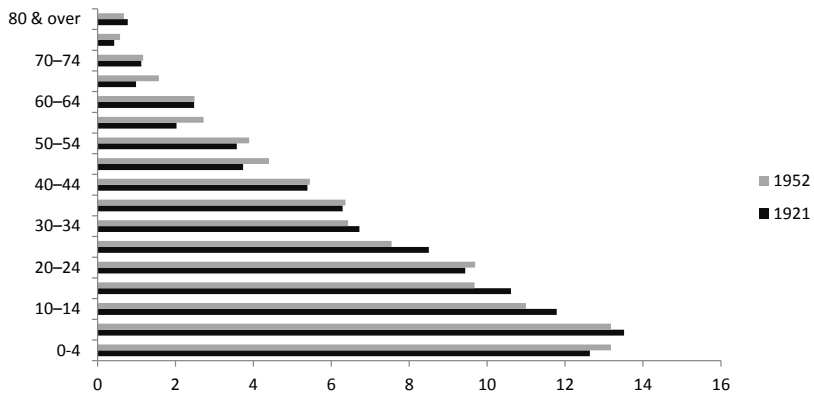
● Note and sources: Palgrave Macmillan Ltd (2013).

sition in the 1960s and stable fertility since the 1980s, Sapelli (2007) notes that in contemporary Chile young cohorts are significantly more equal than older ones (likely reflecting the life-cycle's earnings structure). Figures 2.8, 2.9, and 2.10 compare the population structure between the early 1920s and early 1950s. The population structure of Scandinavia and Australasia changed more slowly. Lacking more data points, the figures for Uruguay reflect change over a longer period. If fertility affects the transient components of inequality, why did the Gini coefficient of household income remain higher in Argentina and Uruguay than in Australasia from the 1950s to the 1980s? Why did it increase in the 1980s when fertility had been falling in the 1960s and 1970s? The point is important: it suggests that a large number of dependants in the early 20th century Southern Cone could not access productive jobs or accumulate human capital despite a series of progressive reforms and policies. This is an issue I explore in chapter 4.

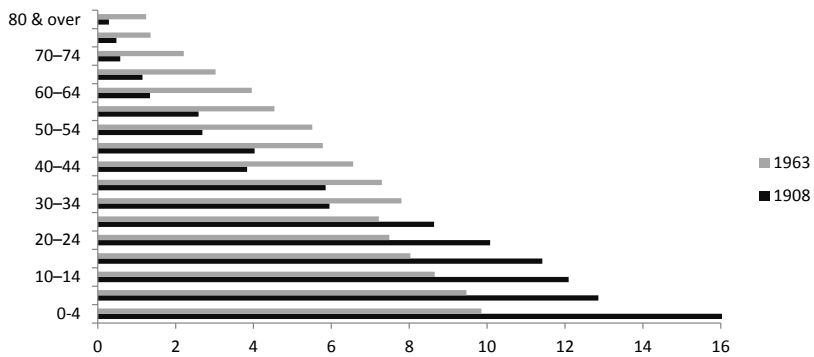
One alternative is to look at the interaction of population and economic growth. If population growth out-paces economic growth it could mean that the transient effect of higher birth rates on inequality is becoming structural: those entering the labour market are no sufficiently productive or face stiff competitions from a growing population. This is the conclusion reached by Valenzuela (2011) when comparing the economic devel-



(a) Argentina



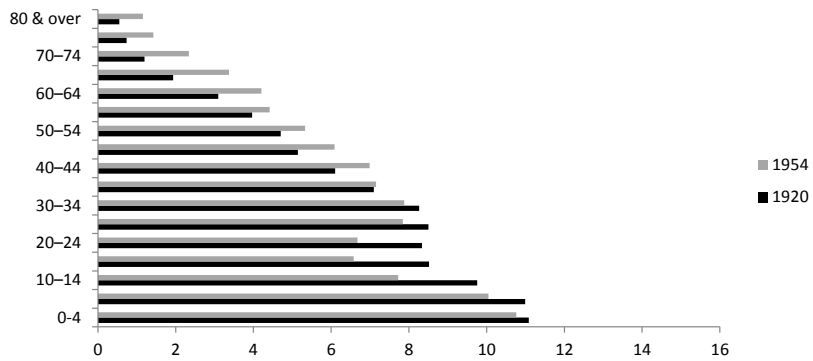
(b) Chile



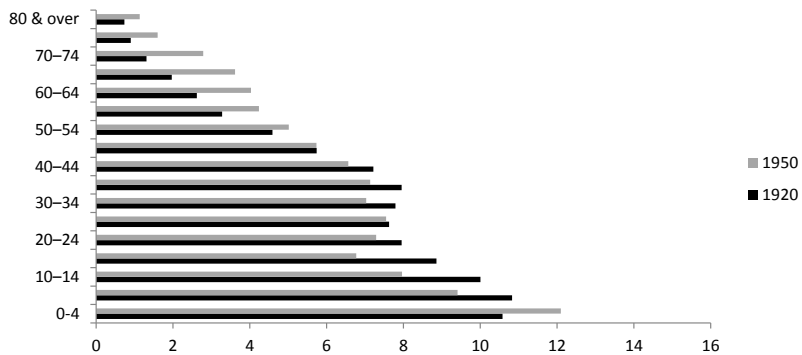
(c) Uruguay

Figure 2.8: Percentage of population in each age bracket in the Southern Cone, c.1920-c.1950

● Sources: Palgrave Macmillan Ltd (2013)



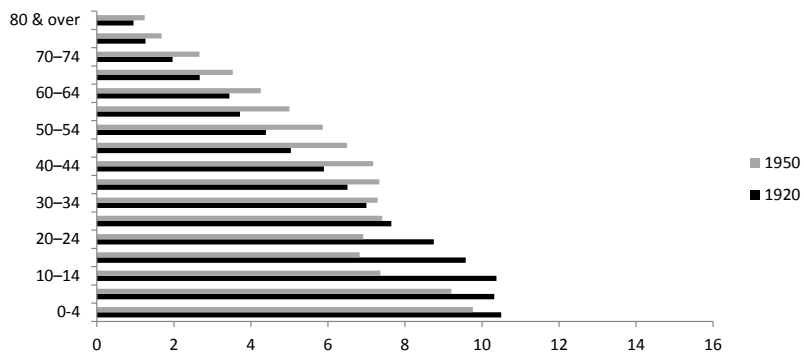
(a) Australia



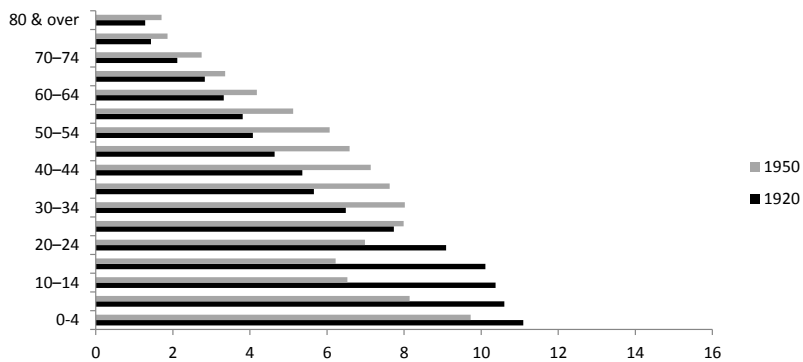
(b) New Zealand

Figure 2.9: Percentage of population in each age bracket in Australasia, c.1920-c.1950

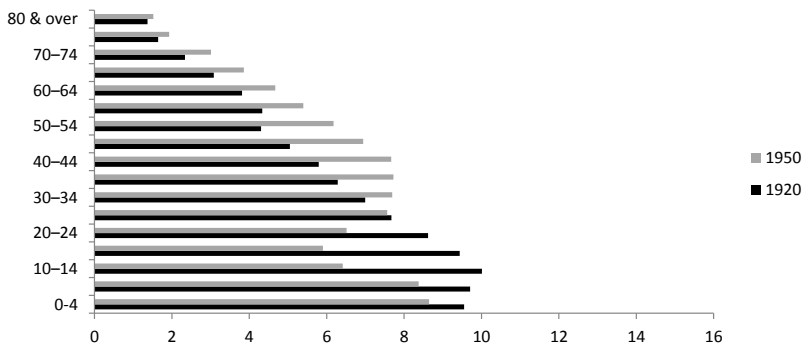
● Sources: Palgrave Macmillan Ltd (2013)



(a) Denmark



(b) Norway



(c) Sweden

Figure 2.10: Percentage of population in each age bracket in Scandinavia, c.1920-c.1950

● Sources: Palgrave Macmillan Ltd (2013)

omponent of Chile and Sweden over the 20th century. Inverting their rates of population growth, Chile would have grown more than Sweden over the century on a per capita basis (a similar trend is reported for Argentina). This sort of counter-factual assumes however that Chile would have produced more with a smaller workforce. Figure 2.11 looks at the yearly percentage change in economic growth minus the yearly percentage change in population growth. From the 1940s to the 1960s, the Southern Cone has more difficulties supporting a larger population given their rates of economic growth while in the other two regions the economy grows at considerably higher rates than the population, particularly in Scandinavia. By the 1960s the Uruguayan economy had clear problems supporting its population, but the figure is not too different to that of richer New Zealand.²⁷

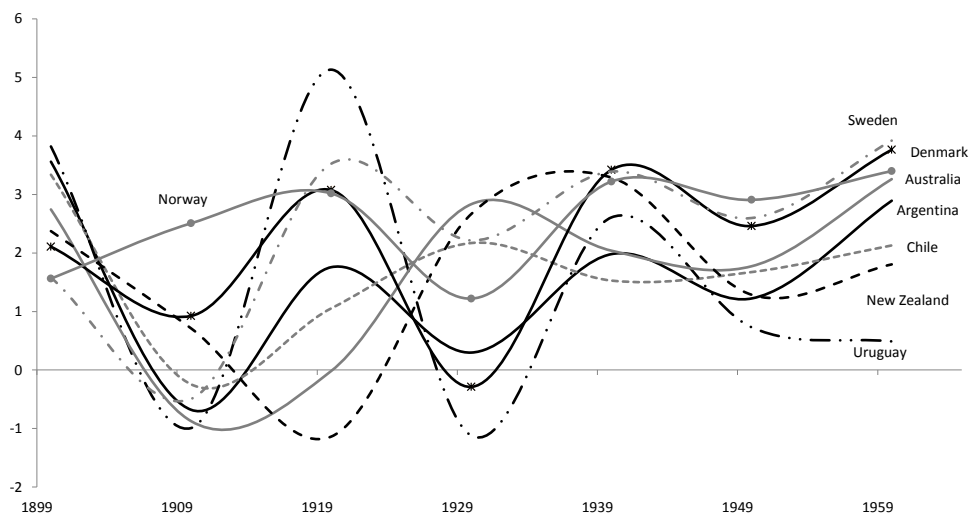


Figure 2.11: Yearly percentage change of GDP minus yearly percentage change of population (10 year averages)

● *Note and sources:* Calculated from Maddison (2003).

Another potential mechanism concerns working women. Increased female participation means the incorporation of poorer households into the labour force which is likely

²⁷Reduced fertility induces individual investment in education and leads to human capital accumulation thus reducing inequality over time. Causation is tricky as human capital can lead to better labour opportunities and reduced fertility (cf. Castelló-Climent, 2010; Becker et al., 2012; Valenzuela, 2011).

to increase the number of wage earners and reduce inequality. Figure 2.12 offers female workers as a percentage of the total labour force. The high figures at the beginning suggest the need of poorer households to work in order to sustain income levels. In the first half of the 20th century, women start abandoning the labour market in the Southern Cone while their participation constantly increases in the other two regions. In the Southern Cone the figures are likely picking the participation of middle class women. Reforms in Scandinavia, especially in Sweden with child benefits and the opening of public sector jobs, increased labour participation among women after the 1940s to prevent immigration of foreign workers (Steinmo, 2010). Reforms in the Southern Cone sought to protect male wage earners and discourage women from working (cf. Lavrin, 1998) and today poorer households are more likely to have one wage earner compared with two in richer households. Labour protection in Australasia benefited men over women, but participation among women increased constantly after the Second World War.

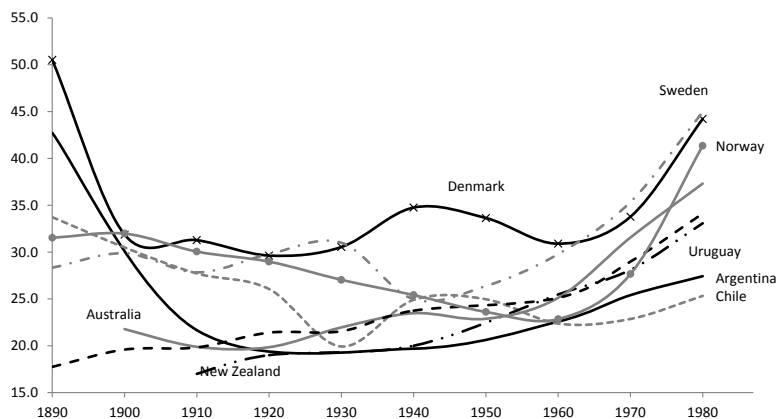


Figure 2.12: Women in work as a percentage of total labour force

● Source: Palgrave Macmillan Ltd (2013).

Demographic behaviour is an important factor behind Southern Cone inequality. The combined effect of large fertility, low economic growth, and stagnant female labour participation helped to reproduce inequality over time through family resources. Naturally, large fertility might have resulted from efforts to anticipate economic risk when

old (e.g. compensating uncertain future incomes by having more children (Valenzuela, 2011)). But the issue raises interesting possibilities as the main divergence in demographic behaviour between the Australasian-Scandinavian block and the Southern Cone appears after the 1930s and 1940s and could be related to the type of social insurance that policy makers introduced, and which might have delayed the demographic transition.

2.6 Summary

We have come to regard Australasian and Scandinavian countries as egalitarian thanks to their shared experience of decreasing inequality for most of the 20th century. Data suggest that income inequality might not have been too different between these two regions and the Southern Cone at the start of the century but that the trends diverged from the 1940s onwards. Australasia and Scandinavia converged on a descending slope up to the late 1970s while the Southern Cone experienced a more erratic pattern. In most available indicators, Australasia and Nordic countries appear less unequal than the Southern Cone after that decade.²⁸

Data show both unstable and stable trends of income inequality. The stability of declining inequality in Australasia and Scandinavia probably insinuates a long-term effect of social policy and democratic governance which was able to meet distributional conflicts and had positive consequences for growth, through the incorporation of the poor and unskilled into education and social insurance. The instability of Southern Cone trends suggest less success in meeting distributional conflict and economic risk. But these are

²⁸Williamson (2010, 250) raised a similar point when discussing Latin American income inequality: “the inequality history that makes Latin America distinctive stretches across the 20th century when Europe and its English-speaking offshoots underwent a secular decline in inequality correlated with the rise of the welfare state. Latin America did not share that 20th decline. Why has 20th century Latin American inequality history been so unique, while everything else about its inequality history from 1491 to the 1920s was so ordinary?”. The puzzle lies precisely in the fact that the Southern Cone also introduced welfare reform but it remained more unequal during the century.

probably not the effect of institutions alone. Chile, the most unequal of our sample, and Uruguay, one of the least unequal of Latin America, had stable democratic institutions for most of the 20th century and yet their levels of inequality up to the 1970s are not far off from the more erratic Argentina. The best way to make sense of this divergence is to study the type of reforms and the cooperation that they elicited in order to link action at the micro level with outcomes at the macro level. Three suspects emerged from the data: difficulties in raising taxes from the rich, inequalities in the labour market due to variation in demographic behaviour (possibly related to education and human capital), and formal employment. To these questions I now turn in the next chapters: I begin with the labour market as wages were the main determinant of income inequality for most of the century (cf. Kraus, 2003).

Chapter 3: **Setting the Price of Labour**

3.1 Introduction

The first answer to our puzzles lies in the labour market. The previous chapter suggested that wage distributions were more comparable between the three regions in the early 20th century, but as urban economies expanded and introduced wage-setting mechanisms, the Southern Cone remained more unequal. As wages are the main source of earnings for most workers and middle classes, their distribution is an essential component of income inequality, particularly as these countries continued to industrialise their economies and monetize their labour relations in this period. Why did labour markets become more unequal in the Southern Cone than in the other two regions despite considerable standardisation through minimum wages and collective agreements?

A broad debate between labour market institutions and human capital divides contemporary research on wage inequality (cf. DiPrete, 2007). Students of human capital note that, with technical innovation, those who are better educated receive a wage bonus or a *skill premium*, as they can adapt more easily to and thrive amid new conditions. Although this argument has been tested repeatedly to explain the rise of inequality in the last 30 years in advanced industrial nations, it has also been used to explain the early 20th century. Research on labour market institutions finds that technology and the economy have changed in a similar way across industrial nations but income inequality has not followed a uniform pattern. They conclude that institutions that regulate wages

across the economy explain cross-national variation – between the recently more unequal US and the less unequal European labour markets.¹ The first approach links individual dynamics and education opportunity with aggregate outcomes, while the latter shows how individual dynamics are embedded in a larger social and institutional setting (cf. Portes, 2010). This chapter explains how wages were set across the labour markets of Australasia, Scandinavia, and the Southern Cone and how they shaped inequality.

As systems of production where “holders of capital, backed by law and the state, make the crucial decisions concerning the character and allocation of work” (Tilly and Tilly, 1998, 286), labour markets distribute earnings according to existing supply and demand for workers and differences in individual productivity. But wages are rarely set by capitalists alone. Empirical research pays attention to constraints to employers’ decisions through the scope of collective agreements, the size of unions, and the generosity of minimum wages. By concentrating mostly on workers’ collective capacities, research has left in the dark many of the decisions made by firms, often assuming that employers always strive to maximize profits by paying at or below market clearing levels (Sørensen, 1994). The assumption seems to be that anything that limits the free hand of employers reduces inequality, but in fact employers’ associations and firms have also shaped labour regulation and collective agreements to their own advantage trying to reward workers for their loyalty (cf. Hall and Soskice, 2001; Iversen, 2006). Under particular circumstances both capital and labour benefit from wage restraint leading to more equal earnings.

Scandinavians negotiated collective rates of wages as their national employers and workers’ associations grew in strength and solidarity. Australasians embarked on a legal route to set living wages across the economy thanks to the actions of courts and judges. The Southern Cone chose a mix of collective agreements and minimum wages

¹See Mouw and Kalleberg (2010); Keifman and Maurizio (2012); Wallerstein (1999); Western and Rosenfeld (2011); Sørensen (2007).

imposed by central governments. But wage-setting mechanisms provided a fragile constraint to income inequalities in the Southern Cone while the other two regions became steadily more egalitarian over the course of the century. The comparison allows me to track directly three puzzles: (1) Australasian and Scandinavian convergence despite the adoption of different wage-setting mechanisms; (2) Southern Cone divergence, and (3) within-regional convergence. These puzzles constitute not only an empirical but a theoretical challenge as Southern Cone reforms from the 1920s onwards looked at times more progressive than their Scandinavian and Australasian equivalents, and yet were ineffective to promote a stable downward trend of inequality.

By comparing the better known experiences of Scandinavia and Australasia with their counterparts in the Southern Cone this chapter focuses on the conditions that made collective agreements and minimum wages work over time. It further contributes to literature on labour markets by illuminating how policy makers interacted with organised labour and capital to promote compliance with standard rates of payment. Research on Latin America concentrates on the so-called “social question” at the start of the century to show how elites’ gains from expanding trade coincided with worsening social conditions (cf. de Oliveira and Roberts, 1994; Monteon, 2010). These accounts miss the mark when overplaying the lack of motivation of employers and policy makers to reduce conflict amid risks that were common to export-oriented economies. The unrestrained power of capitalists does not explain wage inequality in the Southern Cone. I attempt to show how policy makers and capitalists tried to forge new forms of coordination to adapt to novel economic conditions. Policy makers could improve or fragment group-level cooperation in their quest for order and support.

The chapter opens with a review of explanations linking wage-setting mechanisms and inequality. I show the limits of existing accounts that derive wage-setting mechanisms from power relations alone, either contemporary or historically, and which neglect the challenges that policy makers and social actors faced at the start of the century. As

wage-setting mechanisms were introduced in this time as novel institutions, the second section provides an account of the risks that labour markets faced, in particular the *dualism* between export-oriented and internal markets. The third section turns to literature on collective action to explain how regulation worked, and provides case studies of the different forms of wage-coordination enacted in this period. A fourth section concludes by discussing the association between wage-setting mechanisms, the collective capacities of both labour and capital, and inequality through an analysis of comparative outcomes. Research often corroborates the all too familiar argument that industrial peace and wage restraint helped the Western economies grow for most of the 20th century (Crouch, 1994). I argue however, that improving the collective capacities of social actors and their compliance with standard wages helped to bring inequality down, and for this not only the scope but the pattern of inclusion mattered.²

3.2 Wage coordination and income inequality

Research finds that the coordination of wages through a minimum national wage and collective agreements reduces inequality as workers receive a standard rate for their labour; the wider the coverage of these mechanisms, the more equal the labour market. Countries with nation-wide and centralised collective agreements that cover most industrial branches are more equal than those that negotiate agreements for particular unions and economic sectors (Eichengreen and Iversen, 1999; Wallerstein, 1999; Pontusson et al., 2002). Minimum wages on the other hand can provide a common floor for most workers (and could become a maximum wage). Although these mechanisms can produce a gap with cheaper labour that works in the shadows of the formal sector,

²Wage restraint means paying a standard rate which leads to more equally distributed wages. Not surprisingly, the inequality debate between market institutions and human capital is found in research on economic growth. Recent reviews argue that equality improves growth as opportunities to accumulate human capital expand and increase the productivity of the many (Cingano, 2014; Free Exchange, 2014). But wage restraint and industrial peace could be another mechanism through which equality affects growth: with more equal wages, wage restraint and industrial peace can boost legitimacy and cooperation with existing political and economic institutions.

both collective agreements and minimum wages are thought to be pursued by organised workers through their unions and labour-based parties. Union densities, left-wing partisanship, centralisation of collective agreements are significant predictors of more equality.

Does the absence of wage-setting mechanisms and left-wing partisanship explain inequality in the Southern Cone? The assumption is that power concentration inhibited inclusive policies. For labour markets this insight is relevant because economic considerations are not the only determinant of wages; lack of inclusive rules will probably not get us far in answering our puzzles. The three regions enacted minimum wages, collective agreements, compulsory arbitration and conciliation procedures during the first half of the 20th century, and these policies expanded in scope and generosity during the second half. Equally, institutional history falls short as these mechanisms were agreed on or legislated at the beginning of the 20th century – long after colonial times in the case of the Southern Cone and when elites exercised significant influence in the three settings. This is not surprising as urban industries differed from the craft-based and predominantly rural labour markets of the past and required new types of insurance.³ Given the centrality of the rural economy and of natural resources, these regions shared a history of itinerant labour forces exposed to economic changes that was hard to protect.

If lack of regulation and past colonial history are incomplete answers, were then collective agreements, arbitration, and minimum wages designed to exploit or extract from

³Extractive colonial institutions, through which colonisers exploited and coerced native populations, do not explain labour markets of the growing urban economies. Even in Chile, the country in the Southern Cone with a larger native workforce and, of our cases, probably the most unequal, causality did not always work as predicted (cf. Acemoglu et al., 2001; Acemoglu and Robinson, 2012). In 1555 the king of Spain decreed that natives should be taught a craft so as to protect them from exploitative landowners. It proved a successful policy as landowners preferred to invest in a workforce that would remain loyal in the long-run in contrast to free labour from Spaniards and mixed-blood who were more unreliable and independent. A census in 1614 found that in Santiago 85% of natives already knew a craft or trade and that their wages were 40% higher than that of non-native labourers (Salazar, 1989, 28-9).

the working classes in the Southern Cone? As we will see in the case studies, the functioning of wage-setting mechanisms certainly had unintended consequences as it left behind those who could not organise or worked outside formal arrangements. But not being totally inclusive did not make these mechanisms extractive. Economic elites did not benefit from competition from informal firms, and the poor did benefit from cheaper goods provided by the informal economy, as it is the case today (Centeno and Portes, 2006). These policies sought to contain conflict and achieve cooperation from workers rather than strengthen employers' *extractive* positions. The strategy involved dividing workers and tying them to the state, rather than allowing them to build up autonomous capacities. Employers supported this strategy as they feared union growth, but resented it as it took control over labour relations away from them. In the process, both employers and workers lost their ability to coordinate inside the market and had to seek cooperation from agents in the political arena.⁴ The pattern of inclusion required no collective responsibility or discipline to expand coverage. Policies were part of a strategy to achieve quick consent by playing off groups' interests. In the Southern Cone top-down reform did not achieve generalised compliance at the bottom.

This would suggest the possibility that wage setting mechanisms and political partisanship by themselves have no impact on the distribution of income. Scheve and Stasavage (2009) arrive to this conclusion by examining the evolution of inequality using the top incomes share dataset (Alvaredo et al., 2012). They find that the introduction of nation-wide collective agreements or the predominance of left-wing governments did not break previous trends of income inequality and this holds as well when using wage data for some countries to rule out the bias of top incomes. One country they discuss at length is Sweden where they look for a possible structural break after the introduction of a centralised collective agreement in Saltsjöbaden in 1938 (Scheve and Stasavage, 2009, 242-6): inequality trended downwards before the signing of the main collective

⁴Although it could be argued that they were designed for non-elite hoarding particularly among formal workers and civil servants that benefited more. For a conceptual discussion see Tilly (1998).

agreement and it continued trending downwards afterwards. One option may be that collective agreements helped to consolidate the gains of previous drops in inequality. A key finding of their model is the significant effect of union size. But they correctly interpret the effect in cautious terms: “the big question (...) is whether this result also reflects a causal relationship whereby union density determines inequality. The primary alternative is that union density is an outcome that, like income inequality, is driven primarily by underlying economic or political trends” (Scheve and Stasavage, 2009, 235). The fact that neither partisanship or collective agreements appear to produce a structural break on the trend questions whether centralised wage bargaining has a causal effect on inequality or if it is simply an outcome that has evolved over time as a result of underlying social processes (Scheve and Stasavage, 2009, 249-50).

This chapter studies the process that underlies the association of variables such as collective agreements and union densities. Wage-setting mechanisms are forms of coordination between labour and capital that can be pursued from below through the collective capacities of employers and workers or aided from above by state-backed legislation. Unionism is a key variable as it denotes the collective capacity for mobilization and self-discipline among workers. Larger densities made national agreements on wage rates easier to enforce and comply with. But these collective capacities need to be placed in relation with policy makers and employers’ associations. Regulation would only impact the distribution of income in the long-run if workers and employers had the capacity to enforce these agreements permanently on their own members and with autonomy from political interests; if awarding benefits demanded generalised cooperation. The underlying process that made inequality decline over time aided group organisation, inclusion into wage agreements, and compliance with prescribed rates.

The Swedish case works in fact as a counterexample to Scheve and Stasavage’s (2009) findings: Saltsjöbaden may be the first centralised and most famous collective agreement in Sweden but it was pre-dated by almost 40 years of union and employers agree-

ments, and already before 1938 most workers were covered by them. A structural break on inequality depends on when to place the first agreement between capital and labour. By only concentrating on the power of workers, disregarding what it is assumed to be the elite's motives, research leaves unexplored exactly what the powerful did. The strength of unions and the design of wage-setting mechanisms evolved at unison, raising questions on how unions could muster the necessary self-discipline to enforce national agreements among their members or comply with state-backed minimum wages.

3.3 From distributional conflict to wage-setting mechanisms

Rising struggles over wages and working conditions shaped distributional conflict giving way to different forms of cooperation between policy makers, employers and workers at the start of the 20th century. While cooperation ensured the inclusion of the majority of the workforce into wage-setting mechanisms in Scandinavia and Australasia, it marginalised itinerant and informal workers in the Southern Cone without providing a stable framework for settling disputes between economic parties; even for those included these mechanisms did not always work.

Conflict spoke to the difficulties of the nascent urban economies which had no systems of income or consumption protection. The setting of wages became the key variable that political and economic actors manipulated to face the vulnerability of international trade and the escalation of internal conflict. The two seemed connected as conflict over wages and income insurance appeared in rapidly changing sectors. A series of strikes and employers' lockouts in Scandinavia shaped the emerging national federations of unions and employers paving the way for collective agreements (Swenson, 1991, 2004). The Antipodes and the Southern Cone neutralised social conflict from the state, i.e. from the top down: through the judiciary in the former and the executive in the latter. Courts' rulings aided the formation of unions in Australasia and protected

them from both employers' coordinated action and internal disputes between radical and moderate members. With the organisation of unions and employers, compliance with courts' living wage awards became possible. Executive mediation in the Southern Cone created incentives for unions, union bosses, and employers to fragment as they courted, individually, government favour. Class solidarity and compliance with higher wages across the economy or collective agreements became more difficult. The resulting system did not generate stable conditions for the settling of disputes in the long-term – which would have made the trends of income distribution stable – and did not award standard wages across the economy – which would have made inequality drop.

Segmentation between export and domestic-oriented sectors became a common challenge. Dualism could trigger wage disparities between urban and rural, skilled and unskilled, and between formal and informal workers. As figure 3.1 shows, industry would only employ the majority of the Swedish and Australian workforces in time. In all other countries, employment in manufacture and construction, the usual domestic sectors, settled around 25 to 30% of the total workforce.⁵ The fact that the Southern Cone countries exhibit lower levels of employment in industry suggests an additional problem: the growth of urban economies would be accompanied by the growth of the service sector in which it is harder to enforce wage regulation (cf. Portes, 2010; Centeno and Portes, 2006). Excluding transports and finance, the share of the service sector in Sweden would grow from 6 to 10%, in Australia it would oscillate between 9 and 14%, but in Argentina and Chile it would remain around 20% and grow above 30% after the 1960s (see sources in figure 3.1). This means that the figures of wage inequality, reviewed in the last chapter, covered only a fraction of workers in the Southern Cone: some egalitarian trends in the 1950s or 1960s benefited those included, but even these protected workers faced growing inequalities afterwards.⁶

⁵In Uruguay the share of industrial employment rose from 18 to 28% between 1908 and 1963 (Nahum, 2007a).

⁶The growth of industry in Australasia and Scandinavia benefited from increasing complexity in their processes and products. This meant that they could become permanent sources of jobs for most workers.

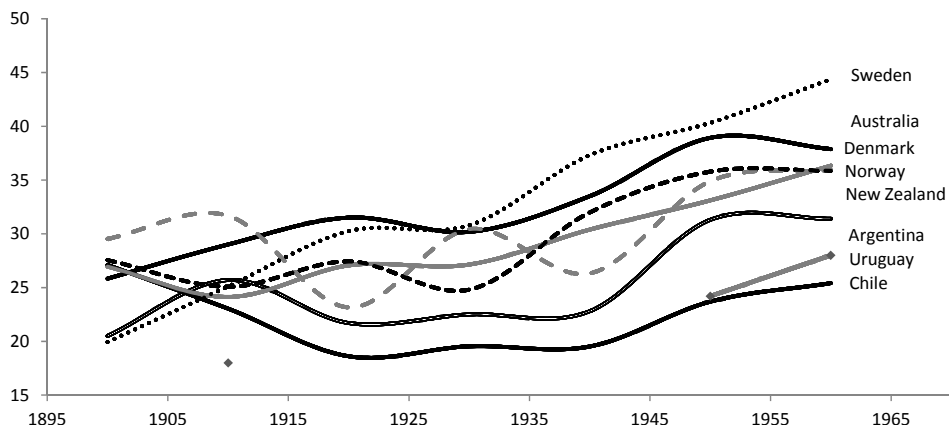


Figure 3.1: Workers in manufacture and construction of total workforce.

- *Source:* Véganzoneš and Winograd (1997) for Argentina; Díaz et al. (2010) for Chile Palgrave Macmillan Ltd (2013) for Scandinavia and Australasia. Information for Uruguay is incomplete. Dividing available information on construction and manufacture workers by total active population would typically give ratios of 10% participation in these areas as industrial censuses tended to select manufacture workers in 1930 and 1936. Alternatively, dividing by total workers in the censuses would give disproportionate numbers in industry. I select more accurate numbers in Nahum (2007a) and Universidad de la República (2014) for the years given in the figure.

Distributional conflict emerged in transport services that had to adjust to international prices and had an important leverage over the wider economy. Conflict was urban rather than rural, with the arguable exception of shearers and meat packers' strikes in Australasia and the Southern Cone.⁷ In Scandinavia the pattern of conflict was different. It began in sectors protected from international prices, particularly in construction and building. But it began precisely with the aim to lower the wages of workers in these sectors so export-oriented firms could compete for scarce workers without rising labour costs (Swenson, 1991, 2004). Strikes often reacted against employer coordination to lock workers out in order to drive wages down. Data on industrial disputes conflate both types of mobilization, but the difference is important as it indicates different capacities for mobilization but not necessarily of long-term organisation.

Lack of complexity still characterises many of the Southern Cone industries. See Bustos et al. (2014). Less complexity could well be the outcome of unsolved distributional conflict and a pattern of interaction between economic and political agents that rewarded loyalty over investment.

⁷Some of the major strikes involved mercantile marine officers (1890), shearers (1891), miners (1892,1916-20) in Australia (Waters, 1982); waterside workers and miners in New Zealand (1913-14); metalworkers (1919), waterside workers (1921), shearers (1920-2) in Argentina; miners (1907) and shearers (1920) in Chile; tramway employees (1911, 1922) and meat packers (1917) in Uruguay.

Figure 3.2 shows the days of work lost to industrial action, either through workers' strikes or employers' lockouts. Data are incomplete for the Southern Cone before the 1930s, and these countries are likely to have experienced more industrial disputes than the ones reported; records are also problematic after the 1950s as most strikes were deemed illegal in legislation or actively persecuted. Hence, data are incomparable and should be taken only as a reference. In general, all countries experienced a decline in serious industrial disputes in the 1930s due to increased unemployment and during the 1940s in countries that were occupied or participated in the war.⁸ After the 1940s distributional conflict grew in Argentina and Chile while it oscillated or declined in the other two regions up to the late 1960s when conflict picks up again.⁹ These incomplete numbers call for an explanation of the success of wage-coordination in Scandinavia and Australasia in securing peaceful compliance from both workers and employers in comparison to the relatively more conflict-prone labour markets of the Southern Cone.

The fact that disputes concentrated around urban areas and close to political capitals had a considerable effect on public opinion.¹⁰ If external economic shocks conditioned wages in export-oriented firms, the endogenous growth of urban industries was a fertile ground for tension due to population concentration. Belich (2011) documents the pattern of the “exploding wests” in countries with open frontiers like the Anglo world and Argentina. Cities connected with the exploitation of natural resources grew rapidly too in countries with a less decisive experience of open frontiers like Uruguay, Chile, and Scandinavia.¹¹ For landowners and urban middle classes these migrants were deemed

⁸Pre-1930 information exhibits a larger number of major disputes and number of days lost in Scandinavia and Australasia (see sources in table). In Uruguay, Errandonea and Costabile (1969, 165) show that man-days lost to disputes increase from almost 16 thousand in 1908 to 149 thousand in 1922 to 267 thousand in 1934. See also Nahum (2007b). With no information on days lost, the number of strikes and workers involved increases in Chile between 1900 and 1930 (Díaz et al., 2010). Growing numbers in the Southern Cone might reflect improvement in data collection.

⁹Usually one big dispute increases the average number in Scandinavia and Australasia, for instance New Zealand in 1951.

¹⁰Alternatively Alesina and Glaeser (2004) argue that a welfare state failed to emerge in the US partly as social unrest occurred far away from the political centre.

¹¹Like other Australian cities, the population of Melbourne doubled between 1860 and 1880, and would double again by 1919 (Belich, 2011). The rapid growth of Australian cities prompted the Public Service

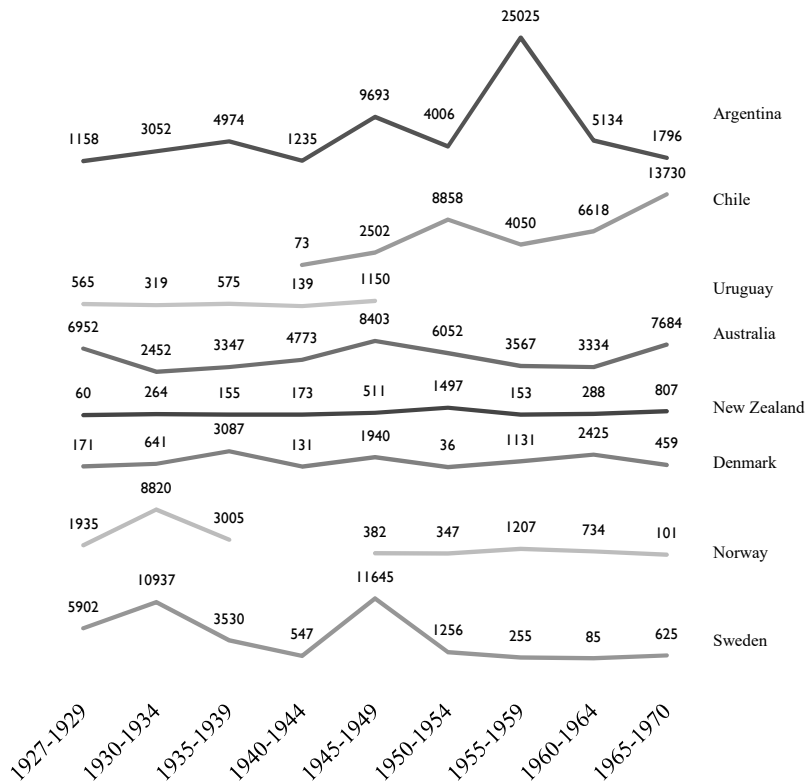


Figure 3.2: Days of work lost to industrial action (strikes and lockouts) in thousands

- *Source and notes:* See text as data are not comparable. Data are from International Labor Office (ears), checked with van Zanden (2015) and Palgrave Macmillan Ltd (2013). Data for Uruguay are supplemented with Nahum (2007b) and the period 1945-1949 has only one observation for 1946. Data for New Zealand are supplemented with Statistics New Zealand (2012), and for Chile with Díaz et al. (2010).

unreliable and added social uncertainty.

National states had different capacities to react to this combination of urban growth, distributional conflict, and changing economic conditions. Did they have the means to prevent and anticipate new forms of violence? At first, states reacted with physi-

Board of New South Wales to set up a Royal Commission that reported alarming levels of poverty and destitution (Murphy, 2011, 7-8). Between 1860 and 1890 the population of Buenos Aires tripled and would triple again by 1910 from half a million to one and a half million. By 1913, 70% of its working class families lived in one-room dwellings (Baer, 1998, 135). Although Latin American cities were “scenes of extreme social inequality” (de Oliveira and Roberts, 1994, 254), pressure to freeze rents and improve housing conditions became widespread in the three regions (Baer, 1998; Björkman, 2012). The pace of growth of Santiago, Montevideo, and the Scandinavian capitals was slower but significant. From the late 19th century, Santiago doubled its population in 20 years; Copenhagen, Oslo, and Stockholm in 30 years; and Montevideo in 40 years (Palgrave Macmillan Ltd, 2013).

cal coercion, sending troops to keep strikers at bay and restore threatened economic sectors. The tradition of independent courts helped Australia and New Zealand negotiate rules for awarding wages which gained consent and elicited compliance, in time, among workers and employers. National states in Scandinavia tended to be more centralised with autonomous bureaucracies and a great deal of power to enforce legislation. But Scandinavian states refrained from a path of open repression as local organisations proved capable of conducting their own labour relations. The growing power of federal unions and employers' associations, together with their political voice, allowed these countries to agree on binding rules on wage regulation. These two different ways to organise rules for everybody prevented governments in both regions to commit repression in a large scale.

In contrast, the Southern Cone had a more violent path to achieve labour cooperation, perhaps reflecting deeper Latin American problems to secure social order (North et al., 2000). The states were weaker in terms of taxation capacity and autonomous bureaucracies (Centeno, 1997, 2002), but had relatively strong armies, and that showed in the scale of repression.¹² Food riots in Santiago in 1905 resulted in 300 dead after the army intervened. A strike by nitrate miners in Iquique, a northern Chilean city, escalated after the miners occupied a local school with their families. They were machine-gunned leaving a toll of about a 1000 casualties (Albert, 1988, 28-9). Similar responses by the Argentinian state produced at least 700 dead in a metalworkers strike in 1919 and another 1500 in a rural strike in Patagonia between 1920 and 1922. The severe reaction is partly explained by the fact that Southern Cone states were risking their reputation among foreign investors and local elites. The Chilean miners' strike for instance, had been partly solved by the mediation of the local government, but firms wanted the central state to restore its credibility through a show of force. If conflict in Uruguay did

¹²One could think the strength of the armies amid weak, low-taxing, states as a colonial legacy. But it seems that relatively strong armies were the product of the wars of independence in the early 19th century: states had to buy army leaders and potential *caudillos* to secure peace. See Centeno (2002) and Tilly (2006, 125).

not lead to mass casualties it could be down to the fact that its army was weaker than its neighbours (López-Alves, 2000, 2002). But even in this relatively peaceful setting the army had to send two cavalry regiments, 500 strong, to quell a strike of no more than a 1000 workers in the interior of the country in 1922 (Errandonea and Costabile, 1969, 113). The state, in other words, was ineffective in securing order with the threat of physical force and resorted to violence.

Traditional rural activities were less conflict-prone as they could buffer changing economic conditions through a combination of cash and non-wage benefits. Economic relations were changing from a mix of cash and in-kind payments (e.g. firm-provided benefits such as housing) to solely wages.¹³ Wage-setting mechanisms were a novel form to coordinate action within labour markets and to provide income security through monetary instead of non-monetary payments. Policy makers could buy workers' peace through welfare and public goods thus allowing firms to transfer non-cash reciprocity to the state. Or they could force firms to provide higher wages and benefits in return for compensation, such as protection from foreign competition, thus allowing workers to buy insurance privately and letting firms combine wages with other forms of benefits. One option would entail the break up of paternalism between firms and workers. The other would combine market mechanisms with firm-based insurance.

Three factors contributed to the success of alternative forms of coordination. The first is the degree of inclusion because a common wage would drive inequality down. Mass inclusion into wage-setting mechanisms prevents the informal sector to expand. But

¹³An Argentinian report in 1902 noted, with a paternalistic tone, how these traditional systems of rural reciprocity were being lost and replaced by the cash-nexus: "These working masses present an enormous danger since they are linked to life only with the unstable and precarious bond of salary and animated by resentment rather than hope. All this creates germs that spread from person to person and explains the immolation of presidents and monarchs, with astonishing cynicism, in broad daylight, before the entire world, without taking care, as in classical times, to hide their daggers behind myrtle boughs" In "El Informe de la Comisión Revisadora Aduanera de 1902: Las reformas aconsejadas y su fundamentos" in *Sumario de los pormenores y antecedentes que se refieren a la reforma aduanera y a los tratados que la Liga de Defensa Comercial ha presentado al Honorable Congreso de la Nación (Buenos Aires, 1903), CXCV. Quoted in Rocchi (2006, 22).*

the degree of inclusion depended on the collective strategies of workers, employers, and policy makers and the objectives they wished to attain. I have divided these strategies in the introduction into *top-down* and *bottom-up* to draw attention to the fact that policies require cooperation to work. Research often concentrates on the former and conflates state-backed action, from above, with power resources.¹⁴ But bottom-up conditions are essential for coordination as organisations could self-monitor compliance with state-backed regulation or even work out agreements that were later recognised by the state. Self-enforcement and the building of collective capacities from below are important as well as they lead to a third factor: the long or short-term effect of wage regulation. This provides time consistency as long as unions and employers had to sacrifice short-term gains in order to attain workable and credible agreements for the future. Policy makers could try to buy workers' loyalty by promising and improving consumption in the short-term or employers' loyalty by promising protection from foreign and internal competition, thus discounting the future.

3.4 Three forms of wage coordination

3.4.1 The Nordic countries: self-regulation from the bottom-up

Coordination among employers' and unions' federations helped Scandinavia to sustain a long-term drop of wage inequality, from the early 20th century up to the 1970s.¹⁵

¹⁴Latin American research is typical of this line of thought: either states are too weak to enforce progressive legislation or too strong to coerce and exploit. For a critique see Centeno (2002).

¹⁵It is not altogether clear why employers organised as national federations. Ingham (1974) suggested that the large concentration of capital among few families made cooperation easier in Norway and Sweden. Capital was however less concentrated in Denmark (Swenson, 1991). Comparatively, capital was also concentrated in Argentina, Chile, and Australia during this time but coordinated action was more difficult. In Scandinavia, business groups retained strength to shape policies and further concentrate capital income (Högfeldt, 2005; Swenson, 2002). Fear of union growth helped employers organise in the three countries. In the case of unions, some highlight the late abolition of mediaeval guilds in the 19th century which provided craftsmen and early industries with a model of cooperation and common insurance (cf. Fahlbeck, 2002). The first federations of workers appeared among craftsmen who had been protected by guilds and were politically moderate. Soon the incorporation of unskilled labour from rural areas made them less moderate (Hansson, 1923; Galenson, 1969, 1970).

There were clear benefits in federating. Employers could keep labour costs constant and low by eliminating non-wage or firm-based benefits. Federation allowed employers to restrain firms from free-riding on these agreements and protect them from the militant action of unions by coordinating lockouts. Unions also benefited as they gained in strength and could discipline local organisations, above all the more radicals that might be tempted to reject wage agreements. Suspicious of direct government intervention, employers and unions' collective agreements were ratified by labour courts which provided a more stable framework to solve disputes and assign legal responsibility. The issue of protecting income remained: with standard wages and the elimination of firm-based benefits, firms became competitive but risked losing workers' loyalty. The state stepped in to provide insurance assuming the functions of the non-wage (e.g. gift) economy.

To keep a system based on large collective entities, discipline was required from all actors. Commentators at the start of the 20th century acknowledged that employers' organisations sought federation in response to union militancy, and favoured collective agreements to create a working and peaceful environment. Once these agreements were in place, employers sought an additional assurance to get unions' compliance, which they got through the introduction of labour courts that forced both sides to accept liability for breaches of these agreements. The state became a guarantor of agreements reached from the bottom-up, between the organisation of labour and capital, and provided legal tools to enforce them (Erichsen, 1932b, 838). Confrontation led to compromise and, finally, to ratification by the state.

Three years define the Scandinavian system of wage-coordination: in 1899 the Danish Employers' Confederation reached the *September Agreement* with the Danish Confederation of Trade Unions; in 1935 the Norwegian Employers' Confederation reached an agreement with the Confederation of Trade Unions which improved on a previous settlement (1902); in 1938 the Swedish employers and unions struck the *Saltsjöbaden*

agreement which also built upon a previous settlement (1906) (cf. Fahlbeck, 2002).

Collective agreements were fought mainly over issues of wages and insurance. Unions wanted both higher wages and firm-based insurance. With the growth of social spending they also wanted firms to bear the extra cost with more taxes so as to lower the bill on wages. Employers alternatively sought to force all firms to standardise wages and eliminate non-monetary benefits that increased costs. As Swenson (1991, 2002, 2004) explains, the export sector within national employers' organisations took the lead as they wanted to align labour costs of firms facing international prices to those facing more protected national markets. Concerted lockouts in construction – a protected sector which paid relatively higher wages given the severity of weather conditions – ignited the struggle to drop labour costs.¹⁶ Strikes and lockouts led both parties to federate and seek national agreements. These still constitute the core of labour regulation in the three countries.

Of the Nordic nations, Denmark was the first to negotiate labour relations between employers' organisations and unions. Fear of union growth and their meddling with wage and hiring policies mobilised employers in trade, industry, and crafts to organise a Confederation (DA) in 1896. In 1899 a local strike among carpenters in seven towns spurred the DA to force a mass lockout in carpentry. Employer solidarity extended as engineering firms locked their workers out. Unions, which had confederated in 1898, reacted with a general strike and provided funds to relieve locked-out workers. An unintended consequence of this process was union growth. Workers had an incentive to join as in return for their dues they received relief when locked out or unemployed. But this also created an incentive for employers to join the DA and force lockouts to drain unions' funds. The conflict lasted for a hundred days, left the Labour Confederation in financial ruin, and convinced erstwhile reluctant employers to join the DA.

¹⁶As early as 1907, Danish, Norwegian, and Swedish employers had met in Copenhagen and agreed that wages in construction should be in line with the rest of the economy (Swenson, 1991, 14).

Union density among blue-collar workers increased from 23 to 57% between 1911 and 1939, although the process was not linear. During the economic dip of the 1920s some workers could not afford union dues (Pedersen, 1993, 537).¹⁷ A key element of union growth was the common administration and pooling of strike and unemployment funds to aid workers in their struggle with employers' lockouts. But internal divisions between skilled and unskilled marked the early Danish movement. Skilled craftsmen deemed themselves a cut above common labourers and tried to secure better wages (Galenson, 1969, 29). Unskilled labour and the metal-workers union clashed as the latter had to consent to lower wages to subsidize and accommodate the interests of the former. But Federation ensured that more radical members of local unions would lose out on strike funds and unemployment benefits if they began independent industrial action. Centralised collective bargaining was secured with a high degree of financial liability for breaches among workers.

Like unions, the Social Democratic party faced internal division that could have restricted class solidarity. Socialists held power in 1929 with a minority government as over-representation of rural districts favoured the liberal party. Instead of focusing on unions, the party sought a political compromise with rural parties (Baldwin, 1999). Party and unions were separated and autonomous bodies but the workers' federation assisted the party with funds (Galenson, 1969, 44-5).¹⁸

¹⁷Other sources give higher union rates. Unlike Sweden and Norway, Denmark had a slower industrialisation given its lack of mining and hydroelectric resources. Land privatisation and the abolition of the last remnants of serfdom in the 19th century made city and farm economies coexist, so the labour movement was more moderate and of rural extraction (Galenson, 1969). If old craftsmen and their unions are taken together with the Danish Laborers Union, which grouped together unskilled migrant workers, already by 1901 76% of the Danish workers belonged to some form of collective group. Unskilled women also unionised in the Women's Labor Union by that time. 22% of them were unionised in industry and handcraft (Galenson, 1969, 24).

¹⁸Syndicalism was not strong enough to create internal discord as in Sweden and Norway. Communism was the only opposition within the labour movement and it was marginalised from the Federation and the Social Democratic party. Employers also faced internal division. Building trades could free ride from collective agreements and be more competitive by paying less than the prescribed rate. With lower prices in the 1920s this did not matter too much for employers; with higher prices firms began to pirate workers by paying above prescribed rates in the 1940s (Galenson, 1969, 90-1).

The 1899 agreement laid the foundation to industrial relations and motivated both unions and employers to enlarge their federations, hence facilitating nation-wide and long-lasting agreements. Most of the labour force would be included and organised as a result. Wages were agreed centrally but local firms and shop-floor unions enforced them so as to motivate compliance at a local level. The agreements were met with opposition by radical workers, but the central administration of lockout and unemployment funds allowed the federation to isolate radicalism. The national agreement asserted employers' complete control over administration and hiring. But at the same time, Denmark would not experience the protracted political battles waged in most countries over the right of workers to organise. The Labour Court of Denmark, set in 1908, interpreted the agreement as a form of mutual recognition between the two parties, which meant in practice the acknowledgement of the right to form unions (Hasselbalch, 2005, 27-8).¹⁹ A further piece of legislation, the Official Conciliator's Act allowed the state to interfere in cases of increased conflict. Unions had to give notice in advance for organising strikes. Employers accepted unions' right to strike as it added legitimacy to their own lockouts. As a result, by the 1930s two thirds of small and large industry workers were covered by collective wage agreements (Erichsen, 1932a).

Unlike Denmark, Norwegian industry was concentrated and driven by mining and merchant shipping, which could have, theoretically, aided coordination. The Confederation of Employers formed in 1900, one year after the unions had organised under the National Confederation of Trade Unions. Soon in 1902, a short-lived agreement regulated industrial relations. As in Denmark, later legislation set up labour courts to ratify agreements (in 1915, 1927, and 1933) which banned strikes and lockouts and made both confederations liable for any breach while the agreements lasted.

¹⁹The court was accepted by the employers as a way to safeguard collective agreements between federations. Locking out was a costly tool to force workers comply with standard wages. As Niels Andersen, president of the DA, admonished his colleagues in a 1909 speech: "So long as this is the only weapon at your disposal you will be unable to avoid using it from time to time, and we all know that the oftener we brandish it the sooner we blunt its edge" (Erichsen, 1932a, 689-90).

Conflict in Norway was more difficult to conciliate due to internal divisions within the labour movement. Like Denmark, Norway had a labour force divided between migrant unskilled workers and skilled industrial workers.²⁰ The workers' federation was moderate but by the late 1910s, syndicalism and young radical workers began to crack union solidarity. As Galenson (1970, 24) explains, "the older unionists, who had built up a large trade union apparatus, were unwilling to take the risks involved in direct action of a political nature, while the new element was impatient with pure trade union methods and was looking for short cuts to the goal of higher living standards". Syndicalists attacked the gradualism of social democratic and parliamentary ways and gained influence over the Labour Party. By 1920 the federation of unions accommodated syndicalist proposals but avoided the calls for industrial sabotage and independent action. The Labour Party and the Unions were divided on compulsory arbitration: the former voting for it in 1922 but the latter being against it in 1923 as syndicalism gained momentum inside the labour movement. Another of the aims of syndicalism, in which they succeeded, was to end the system of union administered pension and unemployment funds, known as the Ghent system. This might have caused a slower increase of unionism in Norway compared to Denmark and Sweden who retained union administered funds (Rothstein, 1998).²¹ Syndicalists' gains would be short-lived as the economic crises in the 1920s increased unemployment (from 2 to 18 % between 1920 and 1921 among unionists (Galenson, 1970, 27)). Radicals, strong among the unskilled, accommodated to the traditional signing of collective agreements defended by skilful and older work-

²⁰The more skilled metal workers, typewriters and lithographers finally joined in the craftsmen-dominated central union in 1904 preceded by the Bergen lockout of metal workers and moulders (Galenson, 1970, 15-6).

²¹The union convention in 1918 reflects this internal problem. The resolution supported by the moderate members advocated parliamentarian and collective bargaining, "the socialist society shall be built upon majority opinion, expressed through universal suffrage for men and women alike (...) Social democracy cannot recognize any dictatorship by force either on the part of the upper class or the working class", but the syndicalist resolution which carried the day advocated class struggle and direct action, "As a revolutionary class warfare party, social democracy cannot recognize the right of the ruling class to exploit and suppress the working class, even if such exploitation and suppression are supported by a parliamentary majority" (Galenson, 1970, 62-3). These disputes made solidarity more difficult to achieve and led to a break up of the political organisation of the left after the convention in 1918. Social Democrats left the union and the Labor Party. Moderation brought them back in 1925 and the expression and aim of a "the proletarian dictatorship" was erased from official union and party documents.

ers. Bar the crises, union density still grew, from 8 to almost 35% between 1910 and 1936 (Kiel and Mjoset, 1993, 37).

With the working class and Labor party divided, self-discipline would have been difficult without top-down action from the central state. The state began regulating labour conditions in the early 1920s as syndicalism expanded among unions. A strike and lock-out in mining spread to metal industries and led the state to enact compulsory arbitration just as employers were to lock 70,000 workers out (who had refused a compromise drafted by their national leaders). In 1921 arbitration expired and neither party wanted its extension. Collective bargaining and arbitration favoured employers who sought cuts up to 33% in wages. Unions resisted mediation and sought a direct compromise with capital. The decline of state mediation in the mid and late 1920s was followed by a strengthening of union and employers' organisation capacities.²² The decline of compulsory mediation did not mean that the state abandoned labour disputes: labour courts sanctioned labour negotiations. When another serious work stoppage loomed in 1931 over a proposed wage reduction, both unions and employers negotiated with the help of labour courts. By the early 1930s, 40% of workers were included in collective agreements (Erichsen, 1932a). In 1935 employers and unions signed a long-lasting Basic Compromise that set out the rules of collective bargaining; the previous existence of labour courts had helped the self-regulation of industrial relations (Berg, 1933). The agreement lasted until 1947 and was renewed thereafter with small changes.

Despite reaching a national agreement later than its neighbours, Sweden followed a similarly conflict-prone path to central coordination of wages and disputes. Like the

²²The state mediator noted in his 1926 report that both parties had not been dealing with each other because of state mediation: "It has in recent years become the practice to employ compulsory mediation in almost all conflicts where notice of a work stoppage is received. I understand section 31 of the Act of 1915 to mean that there was no intention of employing mediation in trivial disputes. It is therefore my opinion that the present practice should be altered, since it both involves needless public expenditure and gives the parties to disputes the impression that all disputes are to be settled with the assistance of the mediator" (Galenson, 1970, 170).

other two countries, unions and employers negotiated agreements that were later recognised by the state. Unions confederated in 1898 and employers followed suit in 1902. Like the other two countries, Swedish employers resorted to mass lockouts to force unions to comply. Like Norway, disputes within organisations made the first agreements fail.

Swedish employers complained that central agreements were not strict enough to make unions liable. In 1916 the Confederation of Unions opposed a legislative measure that would have made it responsible for breaches from its smaller constituting unions (Erichsen, 1932a, 685-7). Like Norway, the older unionists saw an affinity between smaller unions, radicalism, and youth and blamed them.²³ But the effects of the agreements were felt before Saltsjöbaden. Already in the early 1930s, 80% of industrial workers were covered by collective agreements (Erichsen, 1932a). In the process unions' discipline grew thanks to favourable top-down regulation. Labour did not use its political power to regulate by law collective bargaining and employers did not seek to limit unions through the state. The labour court law of 1928 guaranteed arbitration within existing rules. In 1936 additional legislation protected the rights of unions and employers to collective bargaining. Discipline also permitted wage freezes and became accepted by the federation without threat of strikes or lock-outs (in 1949-50 for instance). Through their dealings with unions, observers noted a change in employers' cultural attitudes as well as they were seen to become less autocratic (Myers, 1951).

The agreement in 1938 came after 2 years of joint discussions by labour and capital to avoid further political intervention in labour disputes. The defining Basic Agreement followed the outline of the Danish and Norwegian agreements: it cut across industries

²³Sigfrid Hansson, a Social Democrat journalist, trade-unionist and politician, complained long before the signing of the national Saltsjöbaden agreement that "in some trade unions (...) the centralised system thus created has not met with approval. Younger radical members (...) have reacted against the system, being ignorant of the preceding circumstances which led to this development (...). Their instinctive desire for freedom and their primitive ideas on the subject of democracy have misled them into supposing that the system is nothing but a subtle device of leaders greedy for power" (Hansson, 1923, 500).

and economic sectors, it laid down rules for solving disputes, and was recognised by labour courts. As in the other two cases, employers sought the creation of labour courts to force unions to comply with collective agreements. The normative framework laid down principles that had been operating up to present times (Elvander, 2003).

At the same time, the confederation of unions became stronger as it attained central power to fine and exclude local unions that broke out from collective agreements. By the 1950s it was noted that almost all workers were organised in unions (Myers, 1951). The left or the right were not particularly against federation of workers and employers. Conservatives saw it as a way for business to retain power; Social Democrats saw it as a way for workers to have power. The left did not oppose concentration of capital in business groups: in Norway and Sweden they saw industrial concentration as a preambule for nationalisation. Social Democrat governments were permissive towards cartels in an attempt to make the economy more competitive and legitimise the concentration of power within unions (Korpi, 1983; Högfeltdt, 2005; Lapidus, 2013).

Despite legislation and labour courts, the labour market became self-regulated by the power of the two central confederations that policed over national agreements. Both unions and employers resented the intrusion of the executive. The alternative of state-backed coercion to restore order and force workers back to work, was closed after the Swedish army opened fire and killed five sawmill strikers in Ådalen on the 14th of May in 1931, triggering mass protests against the government.²⁴

The three Scandinavian basic agreements cemented cooperation, if not mutual trust and regard, between unions and employers. They created incentives to achieve compliance with centrally determined wages. Union confederations could cut unemployment funds and lockout relief to local unions that rejected central agreements and resorted

²⁴A short description can be found in the Global Non-violent Dataset (Swarthmore College, 2013).

to independent action. Firms profited from collective agreements as they secured order for their operations and lowered labour costs by eliminating non-monetary benefits. Employers' federations set up rules to fine and punish individual members that were reluctant to join lockouts in solidarity. The promise of standard wages lured firms into employers' confederations. Agreements allowed firms to adopt labour-saving technology to improve efficiency (Erichsen, 1932a; Einhorn and Logue, 1989; Hjalmarsson, 1991). According to Thelen (2001, 86), wage regulation combined with trade openness created incentives for firms to invest in technology in order to save in labour costs. From the employers' perspective, self-regulation was beneficial as wages became stable and "labor pirating" between enterprises less frequent, allowing the growth of small firms (Myers, 1951, 17). Unions too grew in size thanks to the administration of strike, unemployment and pension funds. Norway's unions became the exception but wages were standard and agreed between the federations (Rothstein, 1998). The pooling of resources guaranteed that richer unions subsidized poorer ones. Richer, bigger unions dominated central organisations and gained control over smaller and more radical organisations. By withholding their strike funds and benefits they prevented radical members to pursue individual action.

Solidarity was the result of conflict and of within and between-group compromise. Unions and employers centralised binding agreements and standard wages deterred the existence of an informal labour market (either paying significantly below or above agreed rates). Top-down regulation helped strengthening unions and employers associations by respecting their autonomy but making them responsible for breaches on collective agreements.

3.4.2 The Antipodes: top-down coordination, courts and protectionism

The labour market of Australia and New Zealand shared many of the risks common to Scandinavia and the Southern Cone. They had a dual labour market characterised by

casual work, insecurity, chronic unemployment and seasonality (Bennett, 2004, 23-5), but employers and workers did not show the degree of solidarity and concerted action of their Scandinavian counterparts. True, employers coordinated to press their interests through politics. The Australian Chamber of Commerce, the Associated Chamber of Manufacturers, and the Australian Council of Employers Federations were all founded in the 1890s and had been preceded by similar organisations in the states. The New Zealand Employers Federation formed in 1902 and the Manufacturers Association later in 1927. But like employers in the Southern Cone, shared economic interest failed to materialise in cohesive action in the labour market. A strike in one firm was a business opportunity for another in the same industry; a temporal disorder that the state or the firm itself should solve through coercion or lockouts. They shared a political orientation that favoured repression to uphold the rule of law and individual contracts, but they did not coordinate economically in the labour market.

Trade unionism enjoyed a long history in the two countries. But unions divided along industrial, geographical, and ideological lines. The Australian Workers' Union (1886) represented miners and pastoral workers and a less militant nationwide Council of Trade Unions emerged only in 1927. In New Zealand, encouraged by the Labour Party, a national Federation of Labour merged individual unions in 1936. More akin to the Southern Cone than to Scandinavia, a variety of ideologies converged in the labour movement in Australasia. Like the Southern Cone, Australian and New Zealand leaders considered these ideas to be imported and would often lay the blame of industrial action on "foreign" influences. British Fabianism, syndicalism, and communism were all present in the labour movement (Bennett, 2004), but also racialism, nationalism, and socialism converged to give these movements a markedly pragmatic and national character. According to Buchanan and Nicholls (2003, 32) socialism in Australia was described as "the desire to be mates".

If Scandinavians had strong organisations that evolved from conflict to channel their

disputes, Australasians had a legal system that left much of distributional conflict in the hands of courts and judges.²⁵ Two legal milestones were the New Zealand Industrial Conciliation and Arbitration Act (1894) and the Australian Conciliation and Arbitration Act (1904). Both acts placed the authority to rule on industrial conflict and set rates of living wages on Conciliation and Arbitration Courts. To achieve compliance from employers, courts rulings and subsequent legislation tied industrial awards and the hiring of unionised workers to tariff protection. To restrain radicalism within the unions, further legislation limited immigration and promoted unionisation among the unskilled and less militant workers through living wages. By connecting wage regulation to tariff protection and restricted immigration, judges expected that workers would get enough to live on from wages. Top down regulation led to wage restraint and equality.

The New Zealand Act was sponsored by Liberals, dominant in the late 19th century, with the objective of achieving peace between capital and labour. Although it arose from fear of the spread of the 1891 Australian Maritime strike and reports of sweating in industry, it was *pre-emptive* as it tried to anticipate the sources of industrial conflict (Buchanan and Nicholls, 2003, 93). Its author, the Hon. W.P. Reeves, considered a radical among liberals, acknowledged that it became law without significant opposition (Findlay, 1921). The act referred industrial disputes to a Conciliation Board that represented workers and employers, but created an Arbitration Court to which each party could appeal. The Arbitration Court could override individual contracts and set a different wage rate and employment conditions to that agreed by the individual employer and worker. Awards bound all employers and workers regardless if they were members of a trade union. Commentators reflected that the act “was a step not from status to contract” as the progress of industry anticipated “but from contract to status” as individual labour relations were subordinated to occupation (Findlay, 1921, 35). The act

²⁵In comparison, fear of lack of impartiality by the judiciary in industrial cases led British unions to avoid mediation. They achieved the principle of legal abstention to conduct labour relations with employers with the 1906 Trade Disputes Act (Encyclopaedia Britannica Online, 2014)

had two important consequences. First, it allowed unions and employers' associations to register in the Department of Labour so their disputes could be solved legally. As Court awards initially favoured workers the interest in joining and registering unions grew. But unions had to refrain from strikes if they registered and appealed for an award. Second, the Court could rule on wages. Mr. Justice Sim, President of the Court of Arbitration in 1907, even argued the case that wages had to be fixed independently of profit for workers to lead decent lives (Castles, 1985). This created an interesting parallel with Scandinavia. If Scandinavian firms that could not compete and adapt to global markets were allowed to fail without state support, New Zealanders that could not pay decent wages lost tariff protection and were allowed to go bust.

Attitudes towards the Act shifted after its implementation. In the short-term it had no apparent effect over workers' cohesion as ideological and occupational divisions prevailed. A strike against the Waihi Goldmine Company in 1912, became the main test for the Act. The trade union belonged to the Federation of Labour, known as the "Red Feds" for its socialist associations. While the Federation supported the strike, moderate members broke away from the union and resumed work. This led to violence and state repression which left one dead. The Federation had problems dealing with radicalism that rejected arbitration. Its moderate members joined the United Federation of Labour which also had problems dealing with syndicalism among seaside workers during the First World War. The Government tackled unions with the use of force supported by small farmers and conservatives. John Ward, the opposition leader called the conflict in these years "a system of Mexican revolt and civil war" (Bennett, 2004, 70). The war, repression and the economic depression in the 1920s led unions to be more accommodating towards the system of arbitration.

The Act however drew support from unions and unskilled workers in small firms and scattered industries that had little capacity to organise. As a result, unskilled workers' wages increased to the level of skilled workers. But legislation also checked syndical-

ist and more radical workers that rejected the system of arbitration. There was always the possibility for a moderate union to emerge in a given firm and apply for a wage rate that would then cover all workers. Arbitration took “the steel out of the unions” (Condliffe, 1924, 337). But some unions, notably during the 1913 general strike, denounced arbitration as an unholy compromise with capitalism and complained that the cost of living was rising faster than the living wage prescribed by courts. Attitudes among employers travelled in the opposite direction. At first they condemned any interference with individual contracts as “class legislation” (Condliffe, 1924, 337-40). But later they accepted it as a useful and stable way to solve social conflicts. Courts would award tariff protection as an external complement to hiring union workers and paying the prescribed wage (Condliffe, 1924, 349-50). It was in the employers’ interest to abide by this system.

The Australian Act of 1904 stemmed from similar circumstances to the New Zealand Act and a previous South Australia Conciliation Act (1890), but followed a different course to its enactment. Charles Kingston, its author, used the prevalent liberal language of *barbarism* and *civilisation* to illustrate industrial strife. He described strikes and lockouts “barbarous modes of settling differences” and saw the proposed Bill on conciliation as a form of “civilising” conflict (Rowse, 2004, 19). Although the Bill reconciled conservative alarm over the “barbarism” of industrial conflict with liberal and labour distress over working conditions, disagreements over its content led three different parties to hold the Prime Minister office in 1904.²⁶ Despite changes in the political landscape, it passed with little dissent with the aim to prevent further strikes (Foenander, 1929). Unlike the New Zealand Act, the Australian provided a less centralised system of arbitration as unresolved disputes could be referred to individual State Courts before reaching a (federal) Commonwealth Court of Conciliation and Arbitration.

²⁶ Alfred Deakin of the Protectionist Party, Chris Watson of the Labor Party, and George Reid, of the Free Trade Party.

Like New Zealand, three features of the Australian Act explain its success in promoting compliance with wage regulation: (1) it provided compulsory conciliation and arbitration to registered unions and employers, which increased the motivation to form unions; (2) both parties had to refrain from strikes and lockouts to be eligible for awards; and (3) the act was linked to legislation on tariff protection and immigration. The Harvester case became the symbol of wage regulation and tariff protection during the premiership of Albert Deakin (1905-08). The President of the Commonwealth Conciliation Court, Judge Higgins, ruled in 1907 that Sunshine Harvester Works, a company producing agriculture equipment, paid low wages to its employees and should not be protected by the Excise Tariffs Act (1906). Although successfully appealed by the company, the ruling became the standard for subsequent calculations of a basic or minimum wage. Judge Higgins argued that “fair and reasonable remuneration cannot be the result of the usual, but unequal, contest, the ‘haggling of the market’ for labour, with the pressure for bread on the one side, and the pressure for profits on the other. The standard of ‘fair and reasonable’ must, therefore, be something else; and I cannot think of any other standard appropriate than the normal needs of the average employee, regarded as a human being living in a civilised community” (quoted in Murphy, 2011, 88). In this way the calculation of the basic wage was tied to living costs. It later became centralised around occupational lines to prevent competition between (and within) firms and unions. Under the Labour administration of Andrew Fisher the basic wage was awarded to domestic servants and agriculture workers in 1910 (Rowse, 2004). Wages evolved in a similar pattern across economic sectors and industries.

As a result, legislation was credited with reducing distributional conflict. The Attorney General from Labor, Billy Hughes commented that “it is infinitely better that they (unions) should look to the Court rather than sharpen their swords and resort to violence” (quoted in Rowse, 2004, 27). Although Labour and Liberal politicians were tempted to intervene in industrial conflict either for normative reasons or to gain the ex-

tra vote, they were met with popular resistance. For instance, Andrew Fisher, a Labor Prime Minister on three occasions, lost a referendum in 1913 that would have given the Federal government more control over employment and wage regulation (Rowse, 2004, 28).

Like in New Zealand, reactions to the system of arbitration varied over time. The Central Council of Employers fought hard to abolish it up to 1928 as they could not unilaterally reduce wages (Plowman, 2004; Rowse, 2004, 251). The Central Council of Employers, whose presidency was held by conservative politicians up to 1926, led the charge against arbitration. But employers faced collective action problems. Although the central organisation favoured concerted political action against state intervention, employers' associations in New South Wales and Queensland pressed for uniform labour conditions across the country and supported arbitration as a means towards uniformity. A shift of attitudes in support for the Act became clearer after the 1929 crash. Employers feared that arbitration would not work in recession, but during the 1929 crash the basic wage was reduced by 10%. Economic recovery helped them accept it as way to deal with labour disputes (Plowman, 2004, 242-251). The judiciary never increased wages above living costs (often below, as unions complained.) Employers benefited as uniform wages created standard conditions for competition across Australia (Foenander, 1929; Plowman, 2004). Tariff protection provided an incentive to comply. Worries about militant unions, shared by employers and the ruling National Party in the 1920s, gave additional legitimacy to arbitration (Rowse, 2004, 31). Like Scandinavia, legislation made unions and ringleaders liable when trade unions resorted to unofficial strikes while being covered by an award.²⁷ Both unions and employers had an interest to comply, and after 1940 there was “no pronounced antagonism between employer and employee” (Waters, 1982, 135).

²⁷Registration and arbitration meant that unions had to hold elections, avoid action against non-union members, and submit their administration to courts' rulings. It also played to the hands of the right that worried about the ineffectiveness of sanctions against combative trade unions: Parliament legislated over the social responsibility of unions (McDaniel, 1924; Rowse, 2004).

Arbitration and conciliation promoted both the collective capacity of unions and employers even though it did not lead to the type of class solidarity observed in Scandinavia.²⁸ Arbitration placed incentives for workers to join unions (even though non-union workers received the same rate of wages) as a preamble to negotiate with employers. The growth of unionism might have restrained the traditional call of employers for state-backed coercion but it also helped employers negotiate as a more coordinated group. “Under compulsory arbitration, trade unions have been the instruments both of employees’ self assertion and of their self-discipline” (Rowse, 2004, 17). Regulation from above was met with growing cooperation from below.

Wage equalisation in Australia and New Zealand depended on providing a stable way of solving distributional conflict and protecting workers and employers from changes in international trade in the long-term. The workings of the judiciary achieved both objectives as legislation prompted employer and union compliance. Courts helped unions grow in occupations that employed unskilled labour or few un-organised workers and motivated employers to pay higher wages in return for tariffs. As Court awards usually considered living costs, wages increased in a similar pattern for all industries. Unlike Scandinavia, where standard wages were combined with an expanding welfare state, Australasians relied on high wages for insurance against economic fluctuations.²⁹

3.4.3 The Southern Cone: compliance through co-optation and fragmentation

The distribution of wages in the Southern Cone was conditional on a stable mechanism to deal with conflict and economic uncertainty. Although the resulting systems

²⁸Scholars contrast Scandinavian class solidarity to the prevalent egalitarianism of Australasian relations which stresses equal individual opportunity (Davidson, 1989).

²⁹As Castles (1985, 87) summarised “wage security for the worker rather than social security for the citizen reflects the emergence of the Australasian working class strategy in the context of early modern capitalism and has been crystallized as a central component of the distinctive pattern of public policy trade-offs which has characterized these countries for much of the century”.

varied between countries, they evolved from state-backed coercion to the selective association of governments with unions and employers. The first waves of strikes in Argentina and Chile, and to a lesser extent in Uruguay, tested the prestige of the national state and led to repression or right wing militant backlash.³⁰ As in the other two regions, employers regarded their right to dictate labour conditions as sacred. In larger business that provided in-kind services, the wage was just another way through which they could develop paternalistic ties with their workers in return for loyalty. Some employers saw these non-cash benefits as gifts to be given out of Christian charity. Employers in larger firms exerted pressure over governments to suppress strikes and other forms of industrial action. Like Australasia, they seldom acted in solidarity in the labour market even if they lobbied in political circles. Repression proved an unstable strategy because conflict was likely to escalate. Unlike Scandinavia, divisions within employers and unions organisations closed the possibility of central agreements over wages. Like in Australia and New Zealand, regulation would have to come from the state. But unlike the Antipodes, the executive branch of government took the active role in conciliating industrial and wage disputes – leaving a secondary role for courts. Most of the new legislation accepted the principles laid in the Labour Charter of the Treaty of Versailles which were incorporated into labour codes and national constitutions (Poblete-Troncoso, 1928a,b). The regulation of wages and working conditions was left in the hands of Ministries for Labour that sought compliance from divided employers and workers through a combination of higher wages, firm-based benefits, and tariff protection.

Top-down regulation faced similar problems in the Southern Cone and Australasia. Workers in comparatively better paid but in more uncertain markets struck the most: miners, shearers, meat-packers, railwaymen, tramway and waterside workers (Albert, 1988, 242). Unlike Australasia – where judges matched the wage returns of unskilled

³⁰For instance, the *semana trágica* of 1919 in Argentina triggered the nationalistic *Liga Patriótica* to fight unionism as the central state proved unwilling to coerce potential voters (Horowitz, 1995).

and skilled and non-union and union members in all occupations – the Southern Cone administrations favoured the organised, skilled, and public servants. Through this strategy they gained considerable but fleeting backing. To reach a settlement between capital and labour, cooperation evolved in Argentina from the selective association of the Radical Party (1916-1930), and the Conservative restoration (1930-1943), with individual unions, to co-optation of centralised unions and employers' federations under Perón (1946-1955). In Chile cooperation evolved from the Labour Code (1924/1931), that restricted the centralisation of unions to isolate militant workers and gave new powers to the executive, to mediate between unions and employers. In Uruguay cooperation developed from the individual association of Colorado presidents with trade unions to tripartite agreements mediated by state officials in the 1940s. Despite variation, presidential authority became involved in industrial affairs and sought to contain conflict through selective association. Certain domestic industries and unions benefited from tariff protection and higher wages, the rest was either excluded or sought opportunities in the informal sector.

Like in Australia and New Zealand, employers and workers had difficulties pursuing concerted action in Argentina. Employers had organised in the late 19th century but the resulting societies concealed competing interests. The Rural Society (1866) pitted progressive against more conservative landowners; its members supported a variety of political parties from the National to the Conservative. Despite representing the engine of the Argentine economy to the 1930s, the Rural Society could never field a competitive political party to advance its interests (Hora, 2001). As rural activities employed a minority of the Argentinian working population, industrialists soon became the relevant actor and drew the attention of political leaders (Rocchi, 2006). The Argentinian Union of Industries (1887) fought the Rural Society over trade as they favoured tariffs and resented *ruralists* influence over economic policy.

Trade unions and the left were divided by occupation and ideology. The main organisa-

tion, the Argentine Regional Workers' Organisation (FORA), split several times from its creation in 1901, and their main section ended up forming the Argentine Syndicates Union (1922) which espoused anarchist and syndicalist views. They supported workers' organised action against both firms and government denouncing a close connection between political and economic interests: collective bargaining was seen as class collaboration (Alexander, 1962, 163). Another union, the Argentine Workers' Confederation (1926) leaned towards socialism that favoured closer dealings with the state. Both syndicalist and socialists merged briefly in 1930 but were dissolved by the Conservative regime that followed from the *coup d'état* in the same year. Workers were also in trouble to support or create a political arm. The Socialist party had its support in urban areas and had problems associating with the unions. Unlike the closer association between union and party in Australasia and Scandinavia, Argentine socialists had a more liberal and middle-class origin. The strong showing of Radical candidates consigned the Socialists to urban centres. Their discourse was openly elitist and distrusted workers voting behaviour (Adelman, 1992). Socialists could not become the united voice of labour. That position was taken by the Radicals who selectively supported strikes and certain associations in return for political support from both workers and employers.

Internal division among employers and workers transformed state officials in the main actors of industrial disputes. Since democratic reform in 1912, the Radical governments of Hipólito Yrigoyen (1916-1922; 1928-1930) and Marcelo T. de Alvear (1922-1928) mediated between employers and unions. With extended democracy, Radicals sought to govern as a national movement seeking transversal support from emerging urban working and middle classes. At first they followed a pre-existing pattern of association between the state and workers. The National Department of Labour (DNT) had regulated labour conditions since its creation in 1907. By 1912 it made arbitration compulsory by fixing a collective contract in large firms (*contrato de tarifa*). Unlike Scandinavia, where employers kept their own discipline and solidarity for agreements

to work at a national scale, firms regulated by collective contracts in Argentina faced stiff competition by smaller and less conflict-driven firms that could pay lower wages (Gaudio and Pilone, 1976). Collective bargaining covered a small portion of urban workers – the “aristocracy of labor” (Alexander, 1962, 171).

Radicals’ selective association with unions became clear as they actively supported strikes and forced employers to negotiate through the arbitration of police sheriffs. The personal relation between the president and the sheriffs helped sustain a network of favours that returned votes from striking workers in exchange for political clout (Horowitz, 1995, 52). Patronage and pro-labour rhetoric made Yrigoyen alienate the support he had received from middle and upper classes. Unions in contrast “became an important mechanism through which the radicals attempted to mobilize support” (Horowitz, 1995, 7). A good illustration is the selective support that Yrigoyen showed to the Federation of Maritime Workers (FOM), a large union of seaside workers that could paralyse the Argentine economy. In 1916 the state developed a passive attitude towards a strike and later negotiated through the police chief a settlement that favoured workers. But during a strike called by FOM in 1917, Mihanovich Lines, a maritime company, recruited employees from its own recently created union. FOM organised a series of attacks on Mihanovich dependencies and negotiated with the chief of police the withdrawal of the troops sent by the government to contain the strike. As a result, the leader of the Mihanovich union was shot dead leaving his house, presumably by FOM activists (Horowitz, 2008, 117-22). The selective association based on personal favours became unstable as it fragmented unions collective capacities and motivated employers to ignore state regulation. Mihanovich Lines did not receive government support as unions were an important bastion of Radical vote, but equally crucial it did not receive support or solidarity from other competing firms.

The lack of stable coordination between state, employers, and unions left the door open for conflict. Conservatives and industrialists began to converge against the Radicals

and their network of police chiefs and union bosses. Yrigoyen had to yield in 1921 and sent the army to restrain a general strike that threatened Argentina's exports (Horowitz, 1995). Worsening economic conditions during the war and the instability that followed were combined with an internal failure to defuse distributional conflict. This inability alienated much of business, rural, and middle class interests. A *coup d'état* deposed the ageing Yrigoyen in an attempt to limit the escalation of conflict in 1930 (Horowitz, 2008).

Conservatives ruled during the “infamous decade” that followed (1930-1943). They banned the Radical party and the recently created General Confederation of Labour. A section of the industrialists welcomed conservative rule as they repealed laws that regulated working conditions, for instance a ban on child labour that increased hiring costs (Jaúregui, 2004). But conservatives strengthened the pattern of association between the state and unions (Cortes and Marshall, 1993). Unions won more strikes than they lost between 1934 and 1939 thanks to state mediation (Gaudio and Pilone, 1976, 11). But even with a markedly Conservative rule, employers' divisions did not end. Jaúregui (2004, 20) notes that business interests before the 1940s were characterised by “a plurality of organisations, organisational weakness, the tendency to look for individual linkages with politics, and a vague corporativism”. An additional factor of lack of solidarity between agrarian and industrial interests, was the presence of British and American capital in meat-freezing and other industries. Landowners even called, during the unstable 1930s, for the nationalisation of meat-freezing activities to consolidate their exports (Jaúregui, 2004, 43). But the truth is that they showed as little coordination in the labour market as they did when pressing their political case. The economist Raúl Prebisch, working for the Rural Society in the 1920s, noted that most of the troubles of the meat-export industry during bad economic cycles had to do with overproduction. Rural producers were unwilling to come together and work as a cartel to increase the value of their exports (Dosman, 2010, 45-6). Industrialists disputed the

nature of distributional conflict. Some firms called for state repression negating the existence of social conflict. Others supported mediation and opposed coercion on religious grounds: imbued with Catholic doctrine on fair wages they preferred to develop paternalistic relations with their employers and supplement monetary income with non-monetary benefits (Jaúregui, 2004, 96-99).

The Union of Industries shared two objectives that could have led to solidarity among their number. First, they wanted all firms to comply with state backed regulation so competition would remain fair. They applauded for instance, legislation on minimum wages for home textile workers whom they deemed an unfair competition.³¹ But legislation remained selective towards some unions and firms. Second, they wanted protection from foreign competition. The Argentine state had traditionally funded itself through tariffs (Cortés Conde, 2003, 2006) and found no problems in raising rates to protect local industries. Later in the century this policy would become more targeted and known as a strategy of “import substitution”.³²

The Conservative coalition fell to a series of military revolts in the 1940s amid widespread opposition from working class groups. The combination of repression and selective association had not worked to contain distributional disputes or make the Argentine economy immune of international cycles. Led by a cradle of young military officers who looked up to Mussolini, the charismatic military leader Juan Perón ascended to the presidency through his work as Minister for Labour in the intermittent military administrations. He was elected president in 1946 and inaugurated a revolution of Argentinian politics that reverberates to this day. In a way his approach to distributional matters followed in the footsteps of previous Radical administrations – his government sought

³¹See Jaúregui (2004, 99-100) and Poblete-Troncoso (1928b, 218).

³²Although some thought Argentine industry would be liberated from foreign influence, things turned out to be more ambiguous. Exporters and British diplomats favoured free-trade with Argentina but some British firms favoured protectionism to develop the internal market, for instance Ashworth, a British textile firm operating in Buenos Aires, made it clear to London that it benefited from protected markets (cf. Rocchi, 2006, 38). A similar pattern was observed in the US-controlled automobile industry later in the century.

to influence relevant organisations to build short-term cooperation in order to achieve industrial peace (Horowitz, 1990).

Perón deepened previous Radical strategies to build labour capacities and achieve political support. He sought a delicate balance between capital and labour – and led it to new levels. In his first administration, he warmed up to the traditional establishment and the church by opposing Communism and reintroducing catechism in public education (cf. Jaúregui, 2004). Unlike the Radicals, Perón’s focus did not limit to unions, he built both unionism and employer coordination in order to use the resulting nationwide organisations. Although the resulting organisations might have lent themselves to a stable negotiation of wages as they could have included the vast majority of firms and workers, the reality was different. Peronism achieved wide political support from workers and middle classes but stumbled where Radicals and Conservatives had trodden before: it could not build up solidarity within employers and workers’ associations.³³

Collective bargaining existed before 1943 usually as a result of workers’ and employers’ own efforts. But the ministry of labour would intervene, even without a legal framework, to promote collective agreements. From 1943 the Ministry of Labour set wages by industrial branches, while collective agreements became a short-term tool (they usually lasted less than two years) to control both capital and labour (Gaudio and Pilone, 1976). Unions had to register with the Ministry and gain government support to bargain collective deals. For instance, the union of shoemakers issued a proposal in 1946 for a collective agreement but was notified by the Ministry that it had no legal status (*personería jurídica*). Employers had to abandon negotiations with the union and deal with a newly formed Peronist union – while the leaders of the previous union were exiled (Alexander, 1962, 177). The National Labour Department (DNT), later named Ministry of Labour and Social Security, would not recognise collective agreements that

³³In addition, he personalised political relations and further divided the left. Perón purged the union and political leaders of the Labour party that had helped him win the election (Alexander, 1962).

were not mediated by the executive (Gaudio and Pilone, 1976, 27). By co-opting both movements Peronism ruled by weakening discipline within capital and labour.³⁴

Employers were also co-opted and became clients of state patronage (Perissinotto, 2012). Perón tried to increase his movement's representation in the directorate of the Industrial Association (UAI) and succeeded to place government officials in its executive board. When Pascual Gambino, an anti-Peronist employer, won the UAI election in 1946, Perón dissolved the association. A new Argentinian Economic Federation was created in its place and merged industrial, business, and trade organisations under state patronage (Jaúregui, 2004, 21-2).

The Argentine solution proved to be unstable: democracy and dictatorship would alternate in succeeding years without altering the basic relationship between governments, unions, and employer organisations. Mass cooperation and compliance were difficult as co-optation favoured some unions and employers through price controls and tariff protection, but left a significant number of workers unprotected. Both unionism and employer organisations would grow linked to the state with no capacity to uphold agreements or carry out independent action.

Chilean and Uruguayan response to distributional conflict proved to be more stable as they unfolded inside a competitive party system. In addition, the relationship between governments, unions, and employers was given a more impersonal and recognisable legal status unlike Argentina. In Chile, union-state relations were given legal form through a series of labour laws first introduced in 1924 under the liberal Arturo Alessandri, and later codified in 1931 under the nationalist Carlos Ibañez. Although the code

³⁴The labour market continued to be a political machine, collective decisions were centralised in Buenos Aires (Alexander, 1962, 46-51,193), and agreements were complex and long. They could be 51 pages long as the agreement reached by the Federation of Glass Workers with their respective firms through state mediation (Alexander, 1962, 194-5). Alternatively, the five chapters of the Swedish basic agreement of 1938, that covered all industries, can fit 11 pages as transcribed in the the Swedish LO's web page http://www.lo.se/home/lo/res.nsf/vRes/lo_huvudavtal_pdf/\protect\T1\textdollarFile/Huvudavtal.pdf/.

extended the rights of association, set minimum wages and rules for collective bargaining, it actually aimed to limit the growth of unions (Angell, 1972). Unlike Scandinavia or Australasia where forming unions was a relatively easy process, unions in Chile were allowed only in firms with more than 25 workers and were forbidden to confederate. Through the fragmentation of collective capacities, the Chilean state sought to contain extremism among workers, thus pleasing both industrial and agricultural interests. But by legitimising unions, governments won wide support among workers.

The state exploited the fact that unions were divided along industrial and ideological lines. A variety of trade unions and workers' organisations coexisted. Their views and aims ranged from anarcho-syndicalism (strong among rail workers) to socialism to communism as well as groups inspired by the Catholic church (stronger in rural areas) and existing political parties (like the Radical party, strong among civil servants). Large firms sided with governments as state makers explicitly tried to fragment unions to limit syndicalist, anarchist, and communist influence (Faundez, 2007, 69-70). The labour code benefited urban workers that already had some capacity to organise in large firms. The state forced bargaining on employers but limited working class representation (Roddick and Haworth, 1984).

Economic disputes became disputes of law instead of a collective struggle between organised agents as the state ultimately accommodated different interests (Alexander, 1962, 274). Even if the working class showed a degree of autonomy, legislation was co-optive in essence (Roddick and Haworth, 1984). The code provided legal and financial support. Unions or employers could apply for conciliation, which formally followed tripartite negotiations, but the state demanded in return the registration and approval of representatives by the executive (which made state-labour relations resemble the Argentinian experience). This procedure left the president with considerable influence on the decision of whom could negotiate (Roddick and Haworth, 1984, 20): those not recognized by the executive could not participate.

Union finances too were monitored by the ministry of labour. Unlike Scandinavian unions under the Ghent system, Chilean – and Southern Cone – trade unions were forbidden to administer strike funds (hence limiting the incentives to join unions in times of unemployment) but they were allowed a fixed rate share in the firms' profits (but firms had all the incentives to conceal profits). The code further fragmented class solidarity by distinguishing the rights and benefits of blue and white collar workers (Alexander, 1962; Angell, 1972, 273). The rules laid down by the code did not prevent radicalism among unions or foster mass compliance with regulation. Radical members within unions knew that the only way to a better settlement was seeking political voice through political bosses and parties (Drake, 1978, 2012). Whereas unions were strong enough to create political parties in Australasia and Scandinavia, in Chile and the Southern Cone they sought political patronage because they were internally weak (Angell, 1972; Oxborn, 1998).

Despite legal restrictions, unions organised in defiance of the Code under a central organisation in 1936: the Confederacy of Chilean Workers. It merged existing Communist, Syndicalist, and Socialist unions. It was preceded by a general strike among rail workers in 1934 and opposition to government repression. But centralisation concealed the political inclination of unions: they merged to support a wide coalition led by the Radicals that would govern as a Popular Front (1937-41) and then as a Democratic Alliance (1942-46) with backing from a variety of left-wing parties. Politics interfered with union strength as they fragmented towards the end of the Radical governments (and would not form a central confederation again until the 1950s). Given that in each union different political orientations competed, the links with governing parties became crucial for the welfare of workers. The state "steered" conflict in a freer way than Argentina because of the variety of groups that were more difficult to co-opt by parties (Alexander, 1962, 256), but it created incentives for unions to seek selective links with political and union bosses.

Employers sided with governments' attempts to curtail unionism and welcomed their efforts, from the Radicals in the late 1930s onwards, to promote local industries through higher tariffs and import-substitution. Agricultural and business elites coordinated through political parties (Correa, 2005), unlike Argentina, but supported aims to protect industry. Industrialists had confederated in 1883 to challenge landowners' main organisation (created in 1838), but both groups had converged in 1935 in a Confederacy for Production and Commerce. Coordination did not breed solidarity as each firm vied for party and government support. As in Argentina and Australasia, the state aimed to promote industry through tariffs in return for better wages. But the state also forced higher labour costs on employers (unlike Scandinavia).³⁵

Industrial surveys in the 1950s and 1960s reflect the inequalities that the code created and the added labour costs amid widespread inflation. Basic wages increased to meet inflation in the 1950s and 1960s, wages grew 167% between 1960 and 1963 but real wages only 6.5%. By the early 1960s more than 50% of manufacturing firms had to supplement wages with in-kind services. Wage ratios between the skilled and unskilled also increased. The service sector increased as a result and became riddled by overcrowding, low wages, and underemployment (Gregory, 1967, 103-4). Given economic instability, workers needed these supplements and unlike Scandinavia, large employers favoured the use of wage supplements to achieve industrial peace and receive workers' loyalty (Alexander, 1962, 327).

With the progress of state regulation, employers were not only forced to increase wages but also to provide non-monetary benefits. Large firms were vulnerable then to both external and internal (i.e. informal) competition. The state could limit the effects of the former through higher tariffs. In time, employers resented the obligation to provide extra-wage benefits and tried, as their Scandinavian counterparts, to eliminate these

³⁵Large employers usually provided non-wage benefits to their workers (e.g. housing and health) as a form to supplement wages given that inflation remained a threat to workers' earnings.

obligations, for instance in steel and copper industries, but to no avail as unions resisted. Organised labour in Chile fought, as in Sweden for instance, to have both increased wages and firm-based benefits. Unlike Swedes, they got both but only for a minority of workers. Compliance was not achieved through the improvement of workers' collective capacities nor through legislation or self-regulation. Small and rural employers could not sustain the cost of wage regulation retaining firm-based contributions and benefits. Large employers reluctantly accepted higher wages and benefits because failure of conciliation led to compulsory arbitration: during arbitration firms would go under state administration. Unions in large sectors benefited from protection and higher wages, but that left the non-unionised and informal workers behind.

Uruguay dealt with distributional conflict in a superficially different way. A smaller country with early welfare reform, its leaders espoused egalitarian ideals and, arguably, achieved levels of equality unparalleled in Latin America (Rodríguez Weber and Thorp, 2013). On the surface, the state tried to build the collective capacities of workers and promote union growth while refraining from direct intervention. Furthermore, together with progressive social legislation unions were not limited by a Labour Code, like Argentina and Chile, that regulated union administration (Alexander, 2005). If successful, Uruguay might have been the Southern Cone exception. It clearly solved disputes with less violence than the Argentinian and Chilean states even though its long-term distributional outcomes were quite similar to Argentina and Chile.

Like Argentina and Chile, the capacity for organisation varied among workers and employers. Unions divided by regions, industries, and ideology. Syndicalist and anarchist unions predominated and organised as a Committee of Workers' Unity, but lost most of its strikes up to the 1940s, and was later branded General Union of Workers in 1942. Syndicalism continued to grow after the 1940s but with no formal procedures to take concerted action (many decisions were reached by acclamation) (Errandonea and Costabile, 1969, 70). Movements did not create stable bureaucracies but bosses did

professionalise as they courted political parties just like in Chile. Uruguayan workers would sometimes resent this political interference.³⁶ But most of the failures of industrial action had to do with internal divisions that limited coordination.³⁷ Calls for general strikes in the meatpacking industry in 1917 and 1918 were defeated as communist and socialist unions fought each other (Alexander, 2005). Other strikes would succeed only after government intervention to reap workers' support.³⁸ Their internal divisions were also expressed in the weakness of Socialist and Communist parties which failed to dent the predominance of the historical Colorado and Blanco parties.

Employers were also divided: business interests resisted rural influence with calls for tariffs and protection (Lamas and Piotti, 1981). The Rural Society had formed in 1871, following the Argentinian example, and industrialists reacted with their own club in 1875. The Rural Federation and the Industrial League fought each other over protectionism: but the ensuing victory by industrialists, just like the other Southern Cone countries, combined protection with monopolies, fixed prices and limited internal competition.³⁹ Unlike employers in Argentina and Chile, Uruguayan industrial employers soon acknowledged the existence of distributional disputes and in 1903 asked Congress to regulate labour conditions and wages – even surrendering their freedom to contract (Lamas and Piotti, 1981, 148).⁴⁰ Conservative opinion was divided on this issue, some

³⁶The Union of Telephone Workers would remark bitterly that politicians were motivated only by “publicity” when mediating a strike in 1922 (Errandonea and Costabile, 1969, 120).

³⁷These were not new. One of the worst affected firms was the brewery W.E. Richling, which reported in 1905 after seeking conciliation with workers that they did not trust workers to keep stable agreements over time due to their organizational weakness. They complained that instability within the labour movement and excess of laws were limiting cooperation between management and workers (Zubillaga and Balbis, 1992, 107).

³⁸A street-car strike in Montevideo in 1922 ended after the state played a nationalistic card. It blamed the British owners for low wages, froze fares and decreed wage increases (Rosenthal, 1998, 47).

³⁹In addition, by securing a protected internal market, industrialists ended calls for diversifying exports (Finch, 1981, 169). As in Argentina and Chile, the Rural Federation operated in the main political parties. Landowners consented with a system that recognised property rights and exercised little pressure over them. According to Finch (1981, 11) the bargain consisted on the growth of the urban economy along with an unreformed countryside. But landowners showed interest in reform to further their own interests.

⁴⁰Already in 1898 the Industrial Union sought legislation to conciliate capital and labour; following examples by the Argentinian and French Socialist Party they proposed to diminish indirect taxes on consumption and increase the progression of land and inheritance taxes (Zubillaga and Balbis, 1992, 101-2).

accepting the struggle, others dismissing the social question, calling strikers “strike entrepreneurs”, and denouncing that disorder was imported, not native to Uruguay (Zubillaga and Balbis, 1992).

Social legislation anticipated labour demands and aimed to cement loyalty of wage earners to the Uruguayan state (Finch, 1981; López-Alves, 2002, 13). Much of the credit is taken by the success of Colorado presidents, in particular under the two terms of José Batlle y Ordóñez (1903-1907; 1911-1915) who passed legislation on labour relations. From 1907 the National Labour Administration (later Ministry of Labour and Social Security) intervened in industrial disputes. By 1930 a minimum wage had been enacted for civil servants and rural workers but without compliance or enforcement in the latter case. Internal divisions within rural, industrial, and union groups had to be dealt with by the government and political parties. As direct government intervention did not lead to a permanent solution of conflict the idea of introducing “wage councils” with representatives of government, labour and capital, was discussed in parliament from the 1910s up to their final implementation in 1943. Wage councils are the backbone of the historical compromise between workers and employers.

Their inception tells much about the internal divisions among workers and the left. They were proposed to congress in 1910 by Emilio Frugoni, a deputy and founder of the very small Socialist Party (Alexander, 2005, 19-20). Frugoni and some of his followers had created the Socialist Party after being expelled from the Communist Party, as they favoured a peaceful road of democratic reform of labour conditions. Both parties were small and overshadowed by the two main political parties, the Colorado and the National. Being a minority did not lead to cohesion and bitter personal feuds translated into institutional division. Communists campaigned against the Socialists, opposed their conciliatory policies, and contributed to Socialist electoral failures between 1922 and 1928. Not surprisingly, the Communist hierarchy boasted during that period that “in Uruguay, where social democracy has never been strong, we have succeeded in

destroying it” (Alexander, 2005, 26).

The idea of wage councils then had to overcome opposition to the left and from the two predominant parties, the Colorado and the Blanco, which benefited from direct government intervention. Increasing conflict, which partly led a Colorado president Gabriel Terra (1931-1938) to disband Congress, convinced the political elite of the need for a more stable mechanism to solve disputes. Wage councils were implemented in 1943. Despite the greater autonomy they conferred on unions and employers, the state retained the upper-hand, limiting the autonomy of firms and unions. In fact, the executive could override agreements reached by employers and workers, usually to set a higher wage than the one agreed on. Legal scholars discussed at length whether councils could, in principle, freeze or decrease wages but acknowledged that this was unlikely in practice as the state could override their decisions and had no incentive to decrease wages (Rodriguez, 1956). The executive could also call for a wage council even if employers and workers had not. The state, like in Argentina and Chile, required unions to register with the Ministry of Labour. The effect of registering with Ministries of Labour was different between Australasia and the Southern Cone as in the latter, presidents had enough power to reject the legal status of unions (Rodriguez, 1956, 227). Negotiations became mixed with political cycles unlike Australasia. More importantly, wages were set along occupational lines and distinguished among categories of workers (by experience and education) so although fixed for whole branches of industry they reproduced market inequalities. Although the system diverged from Argentina and Chile, it left the door open for state patronage on unions. Registration with the executive introduced a problem for organisation or a “transaction cost”. Firms and unions wanting to retain some autonomy would have to operate at the margins of this system.

All the Southern Cone countries retained firm-based benefits and higher wages in the formal sector. Big firms could provide both in return for tariff protection. These caveats place Uruguay firmly in Southern Cone terrain: the final decision to set the wage rested

on the executive which triggered patronage without really solving distributional conflicts or creating compliance and solidarity among workers and employers' organisations. Drake (1996) summarised the mechanism for Chile, in parallel with Argentina and Uruguay, as a collective bargain between unions and the state. The executive would press firms to comply with union demands in return for price hikes and higher tariffs. As a result, union bosses represented both working classes and political parties (Drake, 1996, 119).⁴¹ In the three countries workers and employers' associations were incapable of within and cross-class solidarity as they sought the state, and not themselves, to bargain stable settlements.⁴²

3.5 Discussion: collective capacities and comparative outcomes

The regional comparison indicates that the long-term success of wage regulation depended on inclusion of the bulk of the workforce into similar rates of wages, but that inclusion was conditional on sustaining collective action. The fragmentation of powerful interests into small-scale organisations among workers mirrored that of capitalists. Selective regulation to include urban formal workers and to fragment collective capacities of labour and capital, alternatively, paved the way for a more unstable distributional trend even if it brought considerable short-term gains both in terms of political support and better urban wages. Solving distributional conflict by meeting the uncertainties of international trade and the changing economy provided stability to the trends of wage inequality.⁴³ In these three regions distributional conflict was high and was heightened

⁴¹Having a legal rather than a pragmatic interest, the state similarly needed an agricultural sector with lower wages and/or export-taxes to sustain the urban formal economy in both Argentina and Uruguay (in Chile the state could tax mineral exports, but agricultural exports were not promoted so as to keep food prices low).

⁴²Selective association and lack of workers solidarity was not uncommon in other parts of Latin America. As Roxborough (2008, 312) notes, "in the 1930s some segments of the working class approximated to the notion of an aristocracy of labour: skilled and well-organized, they used their market position to further their own particular interests, and were generally unconcerned to engage in political action on behalf of the working class as a whole".

⁴³Iversen (2006, 32) observed that for most European welfare states after the Second World War: "the challenge of the 20th century was (...) to solve the problems of efficiency and legitimacy posed by the

by the uncertainties caused by the First World War and the 1929 crash. The negotiation of a common wage policy between employers, workers, and state officials created the framework for both an efficient and legitimate economy. Not only income inequality but also growth hung in the balance. Adjusting wages allowed exporters to sustain global competitiveness but the expansion of democracy and the industrial economy increased the demand for higher wages or for income insurance through welfare.⁴⁴

Wage inequality declined and converged in the Antipodes and Scandinavia as they built cooperative solutions to distributional conflict while adapting growing economic risk. Generalised cooperation allowed a large formal sector. They diverged from the more erratic pattern of Southern Cone countries which fragmented cooperation.⁴⁵ A significant proportion of workers and employers would not or could not comply with state backed regulation; tariff protection shielded few from the uncertainties of international trade. In the long-run, the trend proved unstable as unions could not contain militancy while courting political favours; diluting collective capacities is likely to have diminished responsibility as nobody became liable for breaking collective agreements. Employers, divided between strategic alliances with the state and incapable of advancing their interests through political parties (with the possible exception of Chile) ended backing authoritarian alternatives.

These systems of wage-coordination differed in their capacity to elicit compliance among workers and employers, and create a stable framework to negotiate conflict (see table 3.1). Reform from the state-level made workers and employers dependant on state patronage in the Southern Cone and limited bottom-up solutions. The long-spread of this new system (industrial production), and this required the creation of institutions and structures through which the participation and cooperation of the rising industrial working class could be secured”.

⁴⁴As Buchanan and Nicholls (2003, 1) note, in small open economies “raw material and other value-added factors depend on external market demand and remain relatively constant in price structure (even if different across countries), so the relative price of labour is often the edge upon which international competitiveness is made.”

⁴⁵Using Hirschman’s distinction, as workers and employers lost “voice” they just resorted to “exit” the formal labour market (cf. Hirschman, 1978).

Table 3.1: Early systems of coordination, between *circa* 1920s-1970s

	Southern Cone	Australasia	Scandinavia
Right to strike	Yes (with qualifications)	No (yes in practice)	Yes
Right to form unions	Yes (with qualifications)	Yes	Yes
Right to lock-out	No	No (yes in practice)	Yes
Mandatory collective bargaining	Yes*	Yes	Yes
Mandatory conciliation/arbitration	Yes*	Yes	Yes
Minimum/living wage	Yes	Yes	No
Who sets the wage?	Executive	Courts	Federations of employers and workers
Regulation strategy	From state (top-down)	From state (top-down)	From organisations (bottom-up)

- *Sources and notes:* *Collective bargaining, conciliation, and arbitration were not strictly mandatory in Uruguay but the central state did intervene in practice and could award wages above the agreed settlement. Inspired by Buchanan and Nicholls (2003).

term became constrained by lack of autonomous capacities, labour market dualism, and economic inefficiency. State solutions prevented within and cross-class solidarity and preserved paternalistic ties between workers and employers.⁴⁶ These results were not the main product of coordinated elites or entrenched historical legacies that carried out conscious plans to improve their lot but of top-down solutions that failed to elicit inclusion, cooperation, and solidarity among labour market actors.

3.5.1 Union growth and dualism

In the process of containing conflict and protecting workers and employers from economic uncertainty, workers collective capacities began to diverge. As table 3.2 shows, solutions in Australasia and Scandinavia aided the consolidation of national and autonomous union movements. Union densities in the Southern Cone have remained low with the exception of Argentina where Perón promoted the confederation of trade

⁴⁶This feature of Southern Cone labour markets has remained constant and is shared with other Latin American countries (Rodríguez and Ríos, 2009; Schneider, 2009)

unions in order to mobilise political support: hence limiting autonomy and a capacity for independent collective action. Unionisation was promoted in urban areas – rural unionisation was resisted or tacitly unaided by urban-based parties in an attempt to keep food prices low, fund import-substituting strategies or leave rural interests alone. Figures for Australasia and Scandinavia reflect high unionism for both rural and urban workers. Difficulties in building unionism in the Southern Cone had another effect: unions competed for political favours and this fragmentation limited their capacity to contain radicalism among workers. Militant workers began dealing with the state rather than employers to settle industrial disputes.

Table 3.2: Union density of working population, 1930-1990

	c.1910	c.1920	c.1930	c.1950	c.1970	c.1990
Argentina*		4	10	49		45
Chile*			6	19	24	18
Uruguay*		8	21	30	21	
Australia	28	52	45	60	52	48
New Zealand	19	26	18	48	43	42
Denmark	23	48	37	58	60	75
Norway	10	20	19	50	57	59
Sweden	9	28	36	68	68	82

- *Sources and notes:* * See text for an explanation of earlier numbers for the Southern Cone. Sources are very different, hence data are incomparable and are only used to illustrate the trends. Pre 1930 Southern Cone data reflect the difficulty of cross-union solidarity. Data are the sum of members of the main national organisations and exclude non affiliated (smaller) unions. Pre 1930 Argentina sums members of Federación Nacional Obrera Argentina IX and Unión Sindical Argentina in the early 1920s (Horowitz, 2008, 28,128). Uruguay in the 1920s sums available information on individual unions (hence, I assume constant membership throughout that decade) and is divided by active population in 1919 (Universidad de la República, 2014; Alexander, 2005). Data for Chile in 1930 also come from smaller unions, and are divided by urban male active population (Díaz et al., 2010). Norway in 1910 also divides union membership by male active population (Visser, 1989; Palgrave Macmillan Ltd, 2013). Remaining figures are derived from Galiani and Gerchunoff (2003), Díaz et al. (2010), Buchanan and Nicholls (2003), Visser (1989, 2011).

The figures need further interpretation as data are not comparable. The main problem is earlier data for the Southern Cone. Historical research has documented the growth of workers' organisations, under different ideological aspirations, which translated into cooperatives, societies for mutual aid, popular libraries, technical education, and the

like (cf. Alexander, 2005, 1962; Angell, 1972). This burst of activity however, did not lead to collective action beyond these organisations. Hence, union rates would probably yield around 10% of urban workers by 1910, but of those, only a minority would belong to nation-wide organisations. In Uruguay for instance, by 1956 21% of the labour force would be organised in some form of union but only 9% would belong to a national union (Alexander, 2005, 59). Earlier organisations would claim a larger number of members than what they actually had. From this information, larger unions would have had 2% of the labour force by 1920 but including smaller organisations the number might reach 10% of the total: but we have limited access to those numbers (Alexander, 2005, 32-59). Numbers for Scandinavia show members affiliated to national unions (through their smaller organisations) and for Australasia affiliated to all forms of unions.

As we go through time it is apparent that union rates reflect political cycles in the Southern Cone. One might be led to conflate the structural growth of unions with the randomness of political cycles, particularly in Argentina where unions suffered persecution by anti-Peronist military governments from the late 1950s. Union rates for urban workers would oscillate between 30 and 40% from the 1950s to the 1960s, with an increase to around 43 and 47% in the 1970s and decline thereafter (Azteni and Ghigliani, 2009, 232).

Union densities mean qualitatively different things as autonomy and pattern of association with the state varied across regions. For instance, between Argentina and the Antipodes: in the latter non-union and union workers were equally protected by courts' wages, or Norway, where non union members are also covered by national agreements. Argentinian unionisation concentrated in cities. Strategies to get compliance and limit radicalisation by dividing unions and employers backfired in the long-run as a significant proportion of workers were excluded from protection and insurance. Researchers often concentrate on neo-liberal reforms of the late 1970s to argue that by lowering tariffs and opening markets, informality increased in the Southern Cone leading to in-

equality (Portes, 1985; Huber and Solt, 2004).⁴⁷ Surely, reforms in the late 20th century hit unions and protected industries amid military repression, but the problem of informal and dual labour markets began long before.⁴⁸

3.5.2 Labour costs and foreign trade

Informality and low unionisation meant the exclusion from the protection of a contract and insurance for a significant proportion of workers. The inequality this created affected the short and long-term. For both employers and workers, regulation meant increasing costs for formal employment which created incentives for non-compliance and competition by the informal sector: firms had to pay both higher wages and provide non-cash benefits, thus reproducing paternal protection of firms over workers. Central agreements in Scandinavia eliminated firm-based benefits and equalised wages for most workers. Wage rates set by Courts in Australasia were awarded independently of belonging to a union (but employers had the incentive to hire unionised workers).

A crude appreciation of labour costs comes from the textile industry in figure 3.3. It compares the ratio of the firms' added value (i.e. value of output minus costs of materials, fuel, repairs, and freight) to total labour costs (the sum of all wages paid). In Argentina and Chile the value added of the textile sector declines relative to wages (the figure for Uruguay in 1968 is 0.39 just above the Chilean) while they remain more stable

⁴⁷In the 1990s, self-employment in Scandinavia never reached above 1% of the total workforce; it oscillated between 9 and 12% in Australia and New Zealand; but remained constantly at around 25% in the Southern Cone according to the International Labour Office (2012b). The exclusion of a quarter of the workforce from formal employment has remained a constant in the Southern Cone since the 1960s (Portes, 1985). A recent study calculated the wage gap between a formal and an informal worker in 66% in Argentina (Maurizio, 2012, 14).

⁴⁸Crucially, dictatorships and the later democracies in the 1990s kept tight labour market regulation in an attempt to muster workers' support; neo-liberal reforms promoted free markets but not unregulated labour markets (Usami, 2004). For instance, the "Doing Business Project" of the World Bank calculates firing costs through firms' severance payments in terms of weekly wages. The costs in Argentina are of 23 and 43 weeks of salaries for workers with 5 and 10 years of work respectively. In Chile the figures are 22 and 43, and in Uruguay 26 and 31 weeks respectively. In contrast, the average cost in Australia is 10 and 12 weeks, and in Scandinavia close to 0 weeks given public unemployment insurance (World Bank, 2014a). This means that non-industrial Southern Cone countries still try to protect their workers as if they were industrial economies: assuming large industries in which workers are tied for life.

or even increase in the other two regions. This suggests that Southern Cone firms might have been pricing themselves out of international markets due to labour costs. Hence, firms were not profitable and stable enough to insure their workers through wages and contributions.⁴⁹

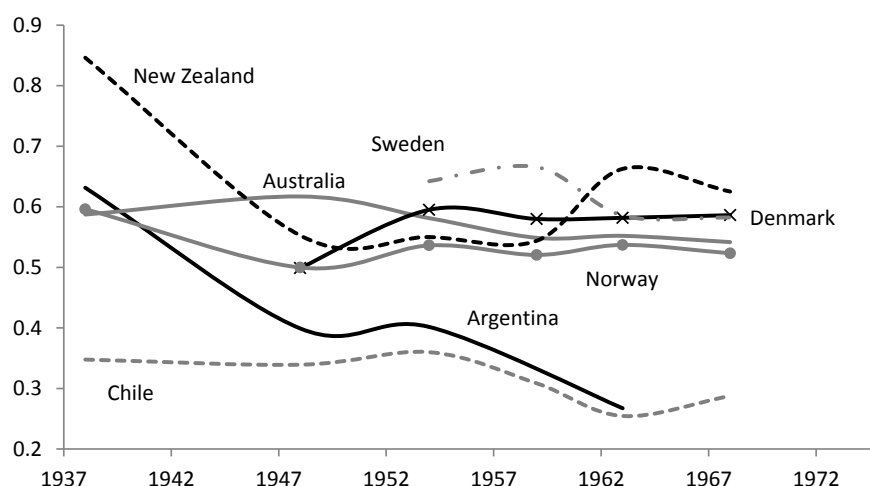


Figure 3.3: Ratio of value added to total wages in textile industry

- Source: Own calculations from United Nations Statistics Office(Various years(b)).

If formal employment partly deterred Southern Cone firms to compete for international markets, high tariff protection allowed them to cater for internal markets. Tariffs were part of the strategy shared also by Australasian governments to get employers comply with higher wages. But unlike Australasia, each independent firm would ask for protection for specific products. Tariffs followed no national plan; they were awarded on a case to case basis and generated incentives for state patronage of employer associations (Lamas and Piotti, 1981, 153). The mechanism became full of legal caveats and led to increasing tariffs up to the 1970s.⁵⁰ Industrial protection in the Southern Cone de-

⁴⁹Despite the fact that the reported value added per person engaged, in US dollars of the time, was in a comparable range between regions, with countries overlapping: \$1590 in Argentina in 1953, \$3385 in Australia, \$3574 in Chile, \$3354 in Denmark, \$2754 in New Zealand, \$2913 in Norway, \$4333 in Sweden, and \$2408 in Uruguay in 1963 (see source in figure 3.3).

⁵⁰The average nominal tariff for manufactured products increased in Argentina from 28% in 1902 to 141% in 1958 while that of Australia remained around 27%. In Sweden it declined from 23% in 1902 to 7% in 1962 (Bhagwati, 1988, 14)

pended on the export of natural resources and an unprotected rural labour market as the industrial base could not compete for foreign markets. International trade declined as a consequence in the Southern Cone while it remained stable or increased in the more efficient economies of Scandinavia and Australasia (see figure 3.4). Hence, uncertainty in international markets followed the internal pattern of association between state and firms.

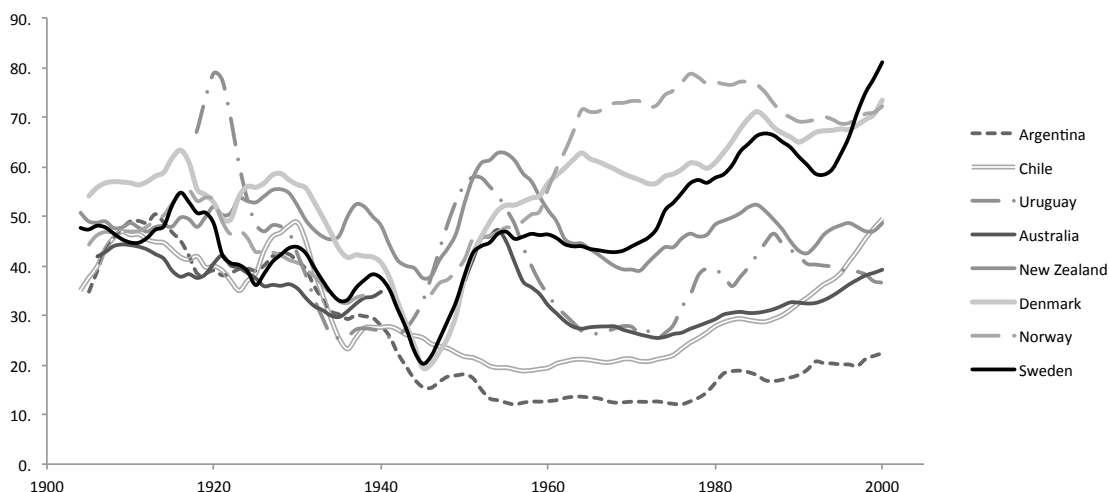


Figure 3.4: Trade openness (imports + exports as a share of GDP) 5-year moving average

- *Sources:* Own calculations from Véganzonès and Winograd (1997); Díaz et al. (2010); Universidad de la República (2014); Edvinsson (2004); Statistics New Zealand (2012); Palgrave Macmillan Ltd (2013); Norton and Garmston (1984); Butlin (1984); World Bank (2014b).

3.5.3 Reciprocity and solidarity: the pattern of inclusion

By not dealing with the wider problems of collective action facing workers, firms, and the state, the Southern Cone countries only ameliorated distributional conflicts through the selective brokering of agreements between pockets of workers and firms. This led in time to polarisation over benefits. Instability in dealing with collective problems was given an institutional form. State makers and bureaucrats sought the help of coordinated groups that had the ability to enforce cooperation and discipline among their members to achieve order.

These systems question current focus on the power of economic elites and extractive institutions. As they were new, the only link with the past extractive experiences would be the paternalistic or reciprocal bonds through which employers sought loyalty in 19th century labour markets. But paternalism existed in the three countries as they began to industrialise. Wage-coordination that resulted from the early 20th century struggles was novel. For Acemoglu et al. (2005), for instance, institutions are chosen for their distributional consequences. In the Southern Cone cases, these systems of wage coordination were sought to improve distributional outcomes and yet they were incapable of providing equality in the long-run. Even if relatively exclusionary at first, they became more inclusive over time. This fact draws attention to the conditions under which agreements over wages and insurance could work. Firms faced the choice of either cultivating workers' loyalty through firm-based benefits or transferring income insurance and welfare provision to the state. Nordic employers strived for the second option to keep labour costs low and compete in international markets. The bill was paid through general taxation while the state provided welfare (chapter 5). Australasians had no clear strategy. Living wages would allow workers to buy protection in the market while receiving some universal benefits from the state. Southern Cone employers had little choice but to keep both systems. Inflation made wages insufficient to meet increasing living costs and firms had to compensate their workers with housing and other forms of insurance. But workers were not compensated for their productivity and higher human capital. Rather, they were paid for their loyalty and obedience as distributional conflict loomed. Through firm-based benefits, state makers could run a cheaper welfare state as firms provided insurance. By keeping this basic form of reciprocity, legitimate and fair as it was seen at the time, it was harder to replace state and firm dependency by class solidarity among workers.

While literature on institutions describes how behaviour is patterned to bring order and reduce transaction costs (Bates et al., 1998), instability, which characterises a number of

aggregate outcomes in the Southern Cone, could paradoxically also be patterned. The struggle for higher wages in the Southern Cone required polarisation to work: it created predictable cycles where workers struck to get better deals, governments intervened, and employers consented to higher wages in return for state protection. In the process, governments granted privileges to selected unions and employers thus fragmenting the collective capacities of both workers and employers (Drake, 1996; Oxford, 1998). In these cases the regulation of labour markets instead of producing a stable decline of inequalities legitimated instability. Regulation undermined the collective capacities of groups and limited the inclusion of the non-organised. Literature on welfare states often neglects the bottom-up conditions that made increased regulation and expenditures work in attaining desirable social outcomes such as growth and equality. Governments that could attain some cooperation in the short-term by targeting few groups discounted the future and undermined social policy. In the Southern Cone, selective incentives were not placed so as to achieve mass compliance, but were instead targeted to key players which, at length, lost the capacity to monitor self-discipline. The erratic pattern of wage inequality followed then the erratic pattern of social action.

Chapter 4: Cultivating Individual Resources

4.1 Introduction

The previous chapter showed that sustained collective action within labour markets, either through top-down regulation or bottom-up self-regulation, helped to restrain wage inequality in the long-run by securing commitment with standard monetary payments for labour and creating an extensive formal market. An alternative explanation, popular among countries with little centralisation of wage bargaining, lies in the formation of human capital and individual-level differences in productivity. Shared education compensates what regulation cannot achieve or implement in the market. The causal link between inequality and human capital, defined as investments on a person's schooling, training, work experience, and health, operates through a mix of equal opportunity and economic theory: individuals endowed with better education and health are more productive, and hence receive a monetary premium for their skills. If human capital is more or less equally distributed, through public education for instance, the market premium should decline over time. In the long-run improved human capital eases the adaptation to (and promotes) economic and technological change: no group (i.e. the more educated) or person would reap a disproportionate premium from their better skills and pull ahead others less able to adapt. Critical for the empirical literature is the assumption that education achievement improves human capital.¹

¹The association between education and human capital goes both ways as income inequality deters individual investment on education and health among the poor (cf. Neckerman and Torche, 2007; Thorbecke and Charumilind, 2002).

While the expansion of public education has been linked with growth and equality in the West (Lindert, 2007), lending support to the human capital thesis, a wide consensus posits that Latin America, and the Southern Cone, remained more unequal due to limited education opportunity. Some authors root the causes of these inequalities in colonial times, paying attention to the backward role of monarchy and church, while others look at decisions taken by state makers after independence in the 19th century. In both sets of explanations, crucial asymmetries in power between elite and non-elite lead to neglect mass education. Reduced opportunity, supply, funding, and access, led to exclusion which would explain why education opportunities failed to endow individuals with human capital.²

This chapter studies the Southern Cone countries to test the connection between schooling and long-term equality. The comparison with Australasia and Scandinavia is not only pertinent because we associate their development to mass education but because the timing of education reform is comparable between the three regions. As with labour market and taxation policies, state-makers had a number of objectives in mind when they enacted progressive reforms to widen education access such as promoting conformity with national values. Yet, like labour and tax reforms, increased opportunities fell short of mass access Southern Cone. Why was it harder for education to impact human capital and equality in the Southern Cone? Under what conditions does public education promote human capital? These questions are all the more puzzling considering that Australasians and Scandinavians kept investing on education and improving individual productivity despite having standard and negotiated wages, i.e. without the individual incentive for a skill premium. I argue in this chapter that traditional answers considering the motivations of elites to promote or block mass education under-theorise the motivations of both elites and the non-elite. This will become apparent in the Southern

²See Engerman et al. (2009); de Ferranti et al. (2004); Campante and Glaeser (2009). Calls for improved mass education tops the list of recommendations to promote egalitarian economic growth in Latin America, particularly after the 1990s when the monetary return to education sky-rocketed in the region (Hoffman and Centeno, 2003; Mamalakis, 1996).

Cone as the impetus for state school reform and education achievement slows down around the 1930s just as traditional elites lose political power and the skill premium begins to increase. By considering conditions for access from below, such as the incentives of the school system for the poor, I suggest a more nuanced picture of the association between mass education and equality.

In the next section I set out the comparative puzzle in the light of the empirical and theoretical literature that connects public education to inequality. I first look at cultural differences that would explain the puzzle out of religious legacies. This would posit that Catholic attitudes and the power of the church restricted access to education, but this does not seem the case even if Protestant countries began the 20th century with better literacy scores. I then move into the politics of education to examine the association between elite self-interest, non-elite voice, and education opportunities. Progressive educational reform prevailed in the Southern Cone despite opposition from sectors of the economic and political elites, but the modernist character of the reforms were unable to include the mass of the population into formal schooling. After struggling to find support for supply-side arguments, either that religious or political conservatism blocked opportunity for the many, I argue that differences in human capital formation should take into account the actual ideas that animated school reform. Top-down legislation interacted crucially with family and individual-level decisions. Accordingly, a third section looks at the design of education systems and finds an important source of regional divergence in the organisation and purposes attached to educational curricula. Unlike Australasia and Scandinavia, education reform in the Southern Cone neglected the development of basic numeracy and literacy skills in favour for higher modern ideals. As a result, education had more difficulties in successfully establishing a link with economic transformations and left behind a significant proportion of individuals. Economic self-interest does not explain the lack of access as returns to education increased in this period and the main educational problem continued to be, for most of the cen-

ture, the high rates of drop-outs (which means that people had access but did not stay in the system for long). University education began to pay a premium in the labour market but required a considerable investment in time and resources. A fourth section adds the demographic and health constraints that Southern Cone citizens faced and suggests that these hindered the possibilities to reap the fruits of a longer educational career. A final section puts together the whole argument by way of a conclusion.

In writing this chapter I do not question the role of human capital in improving equality: I challenge the assumption that expanded provision of public education improves human capital (thus leading to less inequality). As in the other two chapters, I tackle the puzzle of why progressive reforms failed to conform to theoretical predictions regarding better economic opportunity and income distribution in the long-run. Qualitative aspects of education provision and demographic constraints that go beyond the supply of formal education shaped the motivations to acquire skills through the education system. The relevance of these conditions is highlighted by the fact that they mediate the transmission of economic advantage through family resources which could turn individual differences into more permanent phenomena. Southern Cone states tried to provide access, but did they encourage it? In the end, encouraging more demand would have eased access and improved the quality of education. There were not enough conditions for taking opportunities.

4.2 Education, human capital and inequality

Students of inequality find that education affects the distribution of income through its impact on human capital. Long have economic historians argued that the transformation of education into human capital is more likely when opportunity is widely shared among the population while access is improved by education that is public, free, and secular. A virtuous cycle ensues where supply and demand for education increase to-

gether with a general willingness to pay taxes in order to provide opportunities for all (e.g. Lindert, 2007; Engerman et al., 2009). Equal access to education restricts the skill premium created by technical innovation and labour-demand for better educated workers. Only countries with universal and well-funded systems of skill production become egalitarian as they allow individuals to both embrace and promote the growth of technology and industry.³ Accordingly, the more recent *u-turn* of increasing inequality, notably in the US, has been variedly explained by the rise of the demand for skill and the stagnation of education standards in contrast to the more constant levels of inequality found in Europe through their tighter labour market institutions (Lemieux, 2006; DiPrete, 2007; Western, 1998).

Alternatively, education would have little impact on the human capital of large populations when it is private, paid or religious, as supply becomes restricted to a minority. An objection to these supply-side dichotomies comes from *credentialism*, namely the notion that in some contexts the premium associated to education results not from the skills it produces but from the credential it confers (for a review see Brown, 2001). Both types of education (private/public, religious/secular, paid/free) would be subject to the potential strain of highly stratified labour markets that require a credential to signal status rather than productivity.⁴

Figure 4.1 shows the extent to which primary schooling was open to the young in the three regions. Researchers refer to enrolments to illustrate the apparent lag of Southern Cone schooling compared with nations with similar economic conditions at the start of the 20th century (cf. Lindert, 2010; Engerman et al., 2009). Australia and New Zealand

³Education, as a proxy for human capital, is a key intermediate variable in a number of studies looking at the effect of economic variables on development. Early studies suggested that economic growth only improves the distribution of income when paired with improved educational attainment (Adelman and Taft Morris, 1973). Similarly, social transfers and redistribution programmes seem to reduce inequality in the long-run only when coupled with high rates of educational performance (Afonso et al., 2010, 95-6).

⁴Max Weber noted the advancement in hierarchical bureaucratic structures through the collection of academic certificates without any apparent change in individual productivity (Brown, 2001, 20-1). In rigid bureaucracies and labour markets, education helps those with credentials to hoard and limit the economic opportunities of those without and leading to “credential inflation”.

are clearly ahead as formal schooling made important strides in the 19th century, even expanding pre-primary education, but the figures also suggest a quick closing of the gap between the Southern Cone and Scandinavia. By 1940 the Southern Cone is not too far behind Scandinavia and if we include Finland in the mix, the differences are small at the beginning of the period.⁵ But if these figures are a proxy for human capital, we face further timing problems. Most people were enrolled in the 1950s and 1960s and yet inequality soared later in the 1980s, when, arguably, most workers had acquired comparable schooling. Besides, Uruguay and Argentina converge in inequality rates for most of the century despite the former starting from a much lower level of education supply. It is difficult to conclude too much from these figures.

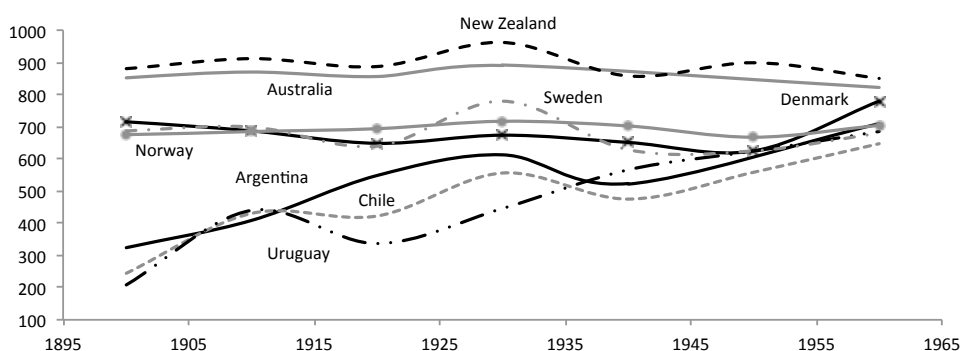


Figure 4.1: Primary school enrolment for every 1000 children aged 5-14, 1900-1960

- *Source:* Own calculations from Lindert (2005, 2007) and Palgrave Macmillan Ltd (2013). Given that censuses for all Uruguay were carried in 1908 and 1963, population data are estimates for 1924, 1934, 1944 and 1949 together with school statistics from Universidad de la República (2014).

Even if the gap between enrolment levels closed in the 1940s, researchers are right to single out education as an important determinant of economic differences in the Southern Cone. Take today's numbers: table 4.1 compares recent PISA scores, a test on education achievement of 15 year old students, and returns to tertiary education. Australasians and Scandinavians enjoy higher education standards than their Southern Cone counterparts – the PISA scores suggest that the average difference among 15 year-

⁵Finland quickly improved its enrolment levels from 274 in 1910 to over 700 per 1000 children aged 5 to 14 (see sources in figure 4.1).

old students between the Nordic-Antipodean block and the Southern Cone is of about 2 to 3 years of schooling. Furthermore, returns to higher education are significantly higher in the Southern Cone than in the other two regions. The picture confirms a recurrent theme of bad-quality education and larger premia for those that stay longer in the education system in Latin America. Social scientists stress these differences in school achievement to explain both current high levels of inequality and historical obstacles to development.⁶

Table 4.1: Education achievement and monetary returns to university education in the late 2000s

	2009 PISA scores (ranking out of 65 countries)			Return to tertiary education (upper secondary=0)
	Reading	Mathematics	Science	
Argentina	398 (55)	388 (55)	401 (53)	103
Chile	449 (44)	421 (47)	447 (43)	171
Uruguay	426 (46)	427 (45)	427 (47)	96
Australia	515 (8)	514 (13)	527 (7)	42
New Zealand	521 (6)	519 (12)	532 (6)	23
Denmark	495 (18)	503 (18)	499 (22)	38
Norway	503 (10)	498 (19)	500 (21)	34
Sweden	497 (13)	494 (21)	495 (25)	33

- *Sources and notes:* Programme for International Student Assessment (PISA) refers to national means scores to a comparable test of academic achievement among 15 year old reading, mathematics, and science abilities (OECD, 2009). Returns to university education are for men, 24 to 64 years of age, in the late 2000s (OECD, 2012), except in Argentina and Uruguay where university returns are for men aged 15 to 64 in 1999 (Carlson, 2001, 24).

Goldin and Katz (2008) suggested a mechanism to link economic change to education and inequality as a race between education and technology.⁷ If education supply and demand cannot cope with the pace of technical change, i.e. the economy races ahead of education, the result is increasing inequality through the higher premium paid to more

⁶Increased returns to schooling were instrumental to bring Southern Cone inequality to record levels in the 1990s. Technological change associated with the opening up of Latin American economies was exploited to the benefit of better schooled workers, with more intensity than in the Antipodes or Scandinavia (Beyer et al., 1999; Brambilla et al., 2011; Pavcnik, 2002).

⁷Although they note that human capital is affected by other factors: “the evolution of the wage structure reflects, at least in part, a race between the growth in the demand for skills driven by technological advances and the growth in the supply of skills driven by demographic change, educational investment choices, and immigration” (Goldin and Katz, 2008, 91).

skilful, better educated, workers. They use this insight to explain the effects of secondary education in the US: the US profited from the new industrial age thanks to its mass supply of public secondary education (which in turn built on existing and almost universal provision of primary education).⁸ The new economy of science and industry changed the structure of the skills needed for growth, but as Americans enjoyed good education they could adapt more easily to the new conditions (Goldin and Katz, 2008, 41). As education was equally distributed, increased demand for skills was met by an ample supply of public secondary education and, consequently, “the first three quarters of the American century was an era of long-term economic growth and declining inequality” (Goldin and Katz, 2008, 3). In contrast, in the last quarter of the 20th century technology raced ahead of good education supply in the US, increasing income inequality.

Even if we accept this optimistic narrative of education and change, trying to fit this pattern into our comparison produces additional puzzles. We do not speak of an Australian or Swedish century, yet countries in Australasia and Scandinavia made important strides towards development and equality in the early 20th century thanks to the growth of mass primary schooling – just like others (Lindert, 2007). Although secondary schooling expanded, these countries were mainly characterised by the constant improvement of primary education. Ljungberg and Nilsson (2008) show that primary education expansion explains the impressive growth of human capital in Sweden in the early 20th century, while the subsequent expansion of secondary and tertiary education was not able to improve productivity at a comparable rate in the late 20th century. If we change the focus to primary education and its impact on human capital, could it explain differences in individual productivity? Measurement of individual productivity, the amount of time a worker takes to complete a task, is difficult particularly in the

⁸“Postliteracy training could make the ordinary office worker, bookkeeper, stenographer, retail clerk, machinist, mechanic, shop-floor worker, and farmer more productive, and that could make the difference between an economic leader and a laggard” (Goldin, 2001, 246).

past. Figure 4.2 suggests a proxy by plotting GDP per active worker, aged 15 to 65, against time. Naturally, a nation's GDP is affected by many variables and education is just one of them. The figure does suggest that the expansion of education in the first half of the 20th century in the Southern Cone did not necessarily lead to better productivity at a rate comparable to the other two regions in the second half. One alternative is that education expansion might have sacrificed quality, failing improve human capital Frankema (2010c).

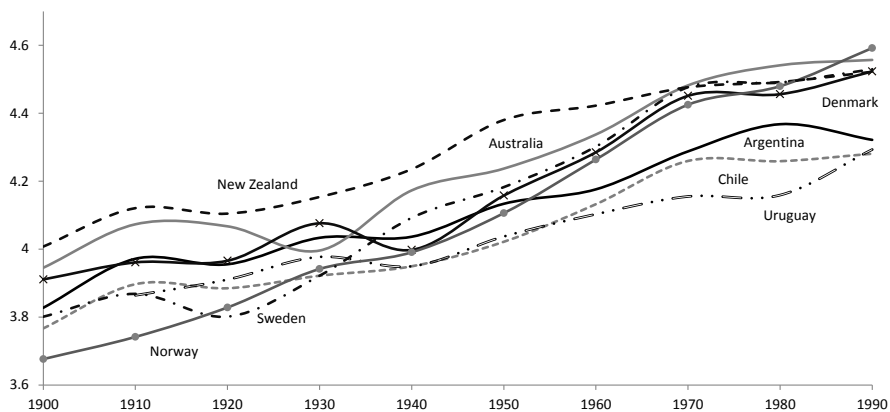


Figure 4.2: GDP per active worker (log scale)

- *Source:* GDP data from Maddison (2003), economically active population data from Palgrave Macmillan Ltd (2013); Végonzònès and Winograd (1997); Díaz et al. (2010); Universidad de la República (2014).

Differences in quality, not only access, are crucial: international comparisons, such as the PISA test, point to another feature of Southern Cone education. Recent studies show a significant proportion of “functional illiteracy” in the Southern Cone. Education systems in these countries still face basic challenges in literacy and numeracy, which are essential for improving individual skills from an early age (cf. OECD, 2000; Infante, 2000; Alfano, 2010). This means that even if education expanded in the Southern Cone during the 19th and 20th centuries, more than a 100 years of education reform have not

solved essential requisites for skill formation at primary level.⁹

The empirical puzzle can also be expressed in “stocks” of human capital, which researchers compute through the average years of education of whole populations. Morisson and Murtin (2009) document a steady increase in the stock of years of schooling in the three regions during this period. Due to successful school reform, Australasians and Scandinavians began the century with higher stocks, scoring almost 6 or more years of average schooling, which roughly corresponds to complete primary education. The difference between these regions and the Southern Cone can go from 4 to 5 years. The gap closes in subsequent years and by the 1950s Scandinavian and Australasian countries are only 2.5 to 3 years ahead the Southern Cone countries. By the 2000s the gap had increased to 3 and 4 years (except Chile which closed it). Education expansion stagnates relative to Scandinavia and the Antipodes in the second half of the 20th century just when education became more readily available.

The human capital story is consistent, leading perhaps to less inequality, yet the biggest piece of the puzzle concerns the data of chapter 2. Industrial and wage inequalities began to increase in the Southern Cone after the 1940s. Obviously, proving causality is no the point of this comparison, but if anything, the expansion of public education coincided not with less but more inequality. Frankema (2011) computes the wage difference between white and blue-collar workers in the construction sector of a number of selected cities in the late 1930s and late 1940s. The gap between both types of workers was comparable and less prominent than in subsequent decades. As he concludes “skill premiums in the construction trade in the major Latin American cities turn out to have

⁹In a 1998 international survey on adult literacy, the OECD found that over 45% of adults in Chile (16-65) were functional illiterates in writing, reading prose and understanding quantitative documents. The figures for Nordic and Antipodean countries oscillated between 6 (reading in Sweden) and 21% (reading in New Zealand). This level “indicates persons with very poor skills, where the individual may, for example, be unable to determine the correct amount of medicine to give a child from information printed on the package” (OECD, 2000, xi). The lasting strength of primary education in Australasia and Scandinavia is notorious in another respect: Above 30% and 40% of those who did not finish upper-secondary education attained the best scores in the reading test in the Antipodes and in Scandinavia respectively. Not even 5% of their counterparts in Chile could attain that level (OECD, 2000, 24).

been only a little higher than in Melbourne, Sydney, and Wellington and more or less comparable with the North American cities New York, Los Angeles, and Toronto. Skill premiums in Latin American cities were notably smaller than in the majority of Asian cities” (Frankema, 2011). Surely other variables were at play in changing the labour markets of the second half of the 20th century, but why more education did not bring skills for all and a more egalitarian wage structure in industry?

In the next sections I explore the usual suspects. Research, I argue, concentrates on the structure of educational supply without paying equal attention to problems of education quality and demand. Criticising human capital models Tilly and Tilly (1998, 200-1) noted that compensation (i.e. wages) are only one of the incentives an agent has to work, and for this discussion, to acquire skills through education. Coercion was amply used by state-makers to force parents into sending their children to school. Supply, at least in the Southern Cone, did not always consider material constraints at the bottom such as malnutrition among the poor, and habits that were at odds with the modernist programmes policy-makers tried to impose. As a result, elites grew frustrated with the poor whom they considered either not worthy (an attitude among liberals) or in no need for education (an attitude more prevalent among conservatives). Demographic structure, such as children dependency rates or population growth limited the effect of education on human capital as states and families have to channel more resources to provide for short-term needs instead of investing on long-term schooling (Thorp, 1998, 24-5). The structure of choice among the poor reflects long-term constraints and possibly more risk-aversion or common sense than research focusing on the selfishness of elites is willing to accept. As I will discuss throughout the chapter, supply-side variables of education provision such as mass primary education and education spending, would predict more equality of schooling in the three regions. To account for the Southern Cone divergence we need to balance these explanations with an understanding of the conditions that made universal access to education a working reality.

4.3 What explains provision?

Explanations of education divergence stress supply-side factors and the role of corporate actors in expanding or restricting opportunity. Organised actors such as elites and the Catholic church would have retarded education reform to preserve their privileges and ideological control over the masses in contrast to Bible-reading Protestants. These historical and cultural legacies are relevant as they could explain the exclusion of the poor from education in the Southern Cone in contrast to mass inclusion in Scandinavia and Australasia. These factors could have rendered the progressive education reforms of the late 19th century, which made primary education secular, free, and public, ineffective in improving the human capital of the masses.

4.3.1 Historical legacies 1: The religious divide

Protestantism promoted the translation and reading of the Bible and this, in turn, eased the transition to formal schooling for the majority of Australasians and Scandinavians as they demanded more instruction. Predominantly Catholic countries might have lagged either because the church opposed state efforts to improve formal education or simply because literacy was not required to participate in religious rituals.¹⁰ There is merit in this observation: in 1860, for instance, 80% of southern rural Swedes could sign their name versus 42% of both rural and urban Spaniards (Nilsson, 2005, 110), and as we saw in the introduction, Australasian¹¹ and Scandinavian nations had achieved mass literacy by the start of the 20th century while around 40% of Southern Cone citizens could not read and write.

¹⁰The translation of the Bible to vernacular languages assisted the creation of a national identity and aided the state to perform its administrative and educational functions in the north of Europe (cf. Hastings, 1997). Protestant countries might have had an edge over Catholics as they were better coordinated to provide public goods. Another way to look at this association is to say that Protestant education proved successful in raising self-discipline and thus improved human capital (Becker and Woessmann, 2009).

¹¹Less than 2% of newly married couples in Australia and New Zealand are recorded as using a mark instead of a signature in 1910, a usual indicator of illiteracy (Commonwealth Bureau of Census and Statistics, 1911; New Zealand Census and Statistics Department, 1911a).

These figures highlight the problems of measuring human capital through literacy. Numbers vary according to source: early national censuses supplied questions on reading and writing, and these two abilities not always improved at the same pace.¹² In the 19th century, Lindert (2007, 316-7, fn25) notes that “Sweden was far more literate than educated” as “the throne, the church, and landlords preferred a bare literacy to promote Bible reading”, and this stressed the repetition, arguably uncritical, of the scripture (Nilsson, 1999).¹³ Literacy is not necessarily associated with critical thinking that promotes human capital.

Religion shaped education differently in the two Protestant regions of this study. Scandinavian states used the physical and organisational capacities of their national churches to implement reforms from the top-down. Australasian states, in contrast, had to deal with religious diversity and regulated the schools that emerged from private initiative. The early nationalisation of the Lutheran church in Scandinavia provided the three Nordic states with a network of parishes to impose national and religious conformity. These networks were used to provide education for the predominantly rural populations since the 17th century. The coincidence of political and religious motivations is reflected in the 1686 Swedish law that required every person to receive full religious instruction. Failure to send children to parish schools involved a fine; failing to pass an annual village exam in Bible reading meant the exclusion from religious and community rites (Heidenheimer, 2003, 271). This state-led literacy campaign is thought to have increased the percentage of Swedes that could read to about 80 or 90% by the 18th century – yet the capacity of reading and processing unfamiliar texts and write remained more of a privilege (Nilsson, 2005). In a similar fashion, education reform in Denmark and Norway depended on church infrastructure and was primarily promoted in the countryside by the Pietist movement inside the national Lutheran church

¹²For instance, 85% of rural Swedes could read in 1820, but less than 15% could write (Nilsson, 1999, 287).

¹³Swedes learnt to read but not necessarily to write up until the 19th century (Johansson, 2009).

(Kaspersen and Lindvall, 2008).¹⁴ The nationalisation of the church meant that education would not be completely secular, yet that churches would not challenge the state's efforts to enforce education and social policy (Manow and van Kersbergen, 2009, 4, 22).¹⁵ This had important consequences as the state could reform education along more secular curricula later in the 19th century.

If not wholly secular nor directly worried with the economic well being of its subjects, education provided by local parishes in Scandinavia had one feature that helped it adjust to local conditions: it was decentralised. Although Scandinavian states slowly moved towards democracy during the 19th century, the fact that the central state had to rely on local infrastructure meant that education was paid for and received by local communities which retained some political leverage over reforms sponsored by the central administration: they could oversee the appointment of school boards, school headmasters and teachers were accountable. Top-down reform was met with cooperation from local communities as they took charge of the enforcement of these policies.¹⁶

Unlike Scandinavia, Australasia was a recipient of a variety of competing religious denominations; the established Anglican church's sway over education met with competition from Catholic, Methodist, and Presbyterian movements. The colonial states, being more democratic and liberal than their Scandinavian and Southern Cone counterparts, upheld religious freedom and would not nationalise religious infrastructure to

¹⁴Denmark and Norway had a different attitude towards adult education than Sweden in the early 19th century as charismatic Lutheran pastors and bishops, most notably the Dane N.F.S. Grundtvig, pushed mass education and created the folk high school. Rural Swedes thought these schools as hot-beds of political agitation while for Danes, the equivalent Swedish schools were institutions for book-keeping (Manniche, 1978, 226). This focus on education partly explains, according to Fukuyama (2012), Danish exceptionalism.

¹⁵Even the secular instincts of the Labour Party in Norway were not wholly anti-establishment. Having one national church was better than having competition. In 1911 the party's stance on education reform favoured the teaching of religion (just like similar reforms in Australasia) and claimed that "this program will not make the schools antireligious; education in the form of the history of religion shall be part of the instruction" (Galenson, 1970, 75).

¹⁶The situation resembles the argument put forward by Lindert (2007) to explain the fast expansion of primary education in Prussia in the 19th century. While absolutist Prussia was far from being a democratic nation, a decentralised provision triggered cooperation from local communities.

provide education during the 19th century. Yet, having few resources to provide public education, the colonial states relied on these movements. Collective solutions to education had to be created from scratch as the two countries lacked a nationwide network of parishes.

Early educational efforts of the colonial states regulated and subsidised religious denominations to provide education to their communities. Scholars often find parallels between the patterns of education provision of Australia and New Zealand with those of the US and Canada as strong democratic communities provided the necessary support to fund elementary schools (Engerman et al., 2009; Lindert, 2005). Religious competition however did not translate into political cleavages that could retard the progress of mass education. On the contrary, subsidising and granting land to denominational schools was deemed insufficient by the mid 19th century. As the strength of the colonial states grew, they could tighten regulation over religious schools and provide secular education themselves. South Australia and Victoria were early cases of greater state control and standardisation of school curricula in response to what was considered an inefficient supply of education (Meyer, 2000, 305) – as well as the fear of Catholic influence that was entitled to public subsidies and funds from Protestant communities.

In order to improve the provision of education New Zealand centralised and Australia regulated from the states' legislatures the erstwhile decentralised, religious-based, systems. The move towards secular, free, and compulsory education came through state funded schools and cuts on subsidies to denominational schools. To avoid religious clashes, state schools were not completely secular and offered a practical teaching of shared themes in Christian doctrine. They certainly were not anti-religious.¹⁷ State-level solutions, as we will see later, found wide support among local communities.

¹⁷Shared opposition to state-backed secular education in Victoria and New South Wales meant that “Catholics and Lutherans found themselves in an unlikely alliance in their attitudes towards the state’s education and religious policies” (Meyer, 2000, 310).

Lacking religious Reform, our Latin American cases saw the executive and the church clash over education and social legislation, unlike Australasia and Scandinavia but akin to Catholic Europe. Church and the newly independent states were not formally separated until the early 20th century.¹⁸ The church quickly lost power and the organisational ability to provide education to the new republics during the 19th century.¹⁹

A “Scandinavian” path involving the nationalisation of the church was not infeasible. Chilean state makers attempted to force local parishes to fund and provide primary education for the masses. In 1830, together with returning assets seized to fund the wars of independence, the state ruled that parishes should implement a 1812 decree by liberator Juan Jose Carrera to open primary schools.²⁰ Lacking religious competition, a sort of “Australasian” path to regulate denominational schools was also closed for Southern Cone state-makers. The limited success of forcing or subsidising church initiatives, prompted the state to centralise provision.

Accordingly, scholars often pit the organised power of a backward church against the progressive ideals of liberal reformers. This argument would lend support to the idea that Catholicism prevented the growth of education through institutional (rather than cultural) channels. The church zealously guarded its interests over education and the promotion of its values. But despite the fact that the conflict between state and church reached different intensities in the three countries, liberal policy makers ultimately did centralise the education system. Although the timing of each reform varied, the three

¹⁸Uruguay in 1918, Chile in 1925. The church is not formally separated from the Argentinian state but religious freedom was recognised in the 1853 constitution.

¹⁹As Monteon (2010, 33) remarks on Latin America: “After 1850 decade by decade, governments extended their social control, replacing canon law with civil codes and creating civil registers for births, marriages, and deaths. The church retained a profound moral influence but could not invoke any state authority to impose its will. Its role as the provider of social services weakened as it lost its economic ability to maintain many of the charities, orphanages, hospitals, and schools it had once run. By the 1870s, the church almost everywhere was thin on the ground, concentrated in the larger cities and unable to evangelize much of the population.”

²⁰The order was reiterated in 1832 with the additional threat to parishes that they would have to fund state-controlled municipal schools if they failed to open their own institutions. In 1860, all convents were required to open schools for girls (Newland, 1994, 349).

states moved towards secular, free, and compulsory primary education. The new republics of the Southern Cone quickly moved towards top-down education reform. Not only was it a way to unsettle the church and centralise power, but it was also seen as the way forward towards the import and copy the more successful models from Europe. Without a cultural revolution such as the Protestant reformation, education became the battleground to change what was considered backward Hispanic customs; to trade Latin American popular culture for European high culture.²¹

4.3.2 Historical legacies 2: the power of elites

A strong case can be made that the political calculation of elites worked towards more inclusive educational systems in Australasia and Scandinavia which provided them with the skills demanded by their labour markets, but not in the Southern Cone. Turning general education into human capital would be the function of inclusive school systems. Do differences in organisational resources and power between the elite and non-elite explain variation of school systems across the three regions?

The observation runs deeply in contemporary debates as today's most unequal countries provided little education opportunity in the past and are likely to have perpetuated historical inequalities (Lindert, 2005; Sokoloff and Engerman, 2000). Although comparative literature finds that Southern Cone countries raced ahead of most of Latin America, they underperformed in enrolment and literacy scores when compared to countries that were at the same level of economic development at the start of the 20th century.²²

Within the region, a large influx of European migrants to Argentina and Uruguay seems

²¹Unlike Scandinavia and Australasia where education became the expression of national institutions and culture. Discussing the enlightenment and the French Revolution, Himmelfarb (2008) argues that education became the equivalent of the Protestant Reformation for the French state after the revolution as it attempted to change popular mores and habits. Given that most educators in the Southern Cone looked up and copied French models the analogy could be extended to this setting.

²²Such as the Scandinavians, see Lingard and Tylecote (1999). The fact that Scandinavians had good education at the beginning of the 20th century despite lacklustre economic conditions has raised many eyebrows. Sandberg (1979) referred to Sweden as the "impoverished sophisticate" to allude to this paradox.

to explain their better educational levels. But the case of Chile puzzles researchers as it performed better than most Latin American countries. Engerman et al. (2009) note that its larger proportion of native populations, that political elites might have wanted to exploit and exclude from education, would have predicted lower literacy and enrolment rates than those of Argentina and Uruguay.

Considering the power asymmetries between elites and non-elites, some authors are tempted to connect the slower progress of education in the 19th century to colonial legacies. Thus, Reimers (2006) quotes from a 1785 Royal *Cedula* by Carlos IV to show both the lack of political commitment and backward cultural attitudes of the monarchy. The edict “established that it was not desirable to illustrate the Americans (...) His Majesty does not need philosophers, but good and obedient subjects” (Reimers, 2006, 432). But the same edict promoted the establishment of parish schools to teach basic literacy skills to all children, native and non-native (Reimers, 2006, *ibid*). If we are to take self-interest seriously and judge monarchs by the same metric across nations, the measure is not too different to the policies taken by Absolutist Sweden referred to above: the Swedish king, as well as his Spanish counterpart, wanted obedient subjects (not philosophers). Given the extension of the Spanish empire, the attitude of the monarchy towards education makes perfect sense: Bourbon reforms attempted to deter *criollo* and Spanish elites in the Americas from challenging absolute rule.²³ Others see the connection between the colonial past and 19th century reform as one that perpetuated backward cultural legacies. Elite material interest and Spanish culture are quickly squared. For instance, for Frankema (2010a, 361) “prevailing aristocratic ideologies justified the idea that education was a privilege of the rich: poverty was believed to be a result of a lack of innate capacities and the introduction of expensive programs of mass education would be a waste of money”. The cultural connection is more dif-

²³Before Bourbon centralisation, the Habsburg monarchs had also promoted the teaching of basic skills. The Indian Laws of 1535 had required all communities to provide schools, free of charge, to all children whether native or Spanish (Bralich, 1987, 13).

difficult to prove. Educators in the Southern Cone used public instruction precisely to alter what was perceived as a backward Spanish cultural legacy. The idea that poverty depended on individual merit seems not to have been widespread in Latin America but in Protestant Europe and certainly in the more egalitarian US.

But how do asymmetries in power explain variation of education provision in the early 20th century? Were economic and political elites more public spirited in Scandinavia and Australasia than in the Southern Cone? Were they restrained perhaps by democratic institutions? Given the previous discussion, three inter-related indicators are commonly used to explain variation in education supply and the commitment of elites and the public for the education of the poor: democracy as a check to self-serving elites, public expenditures on education as a way to measure commitment and redistribution, and enrolments in public schools to measure inclusion (Lindert, 2005, 317-8).

The democratic argument recalls the work of Goldin (2001) and Goldin and Katz (2008) as it assumes that communities sharing and enjoying equal political rights are willing to set up schools for the benefit of their members. Voice allows the poor to express their interests and share in the public goods provided by the communities. Engerman et al. (2009) explain how self-interested elites were unwilling to fund education for the masses through direct taxation. Political and economic elites, if unchecked by democratic institutions and local governments, limit the supply of education to the poor in order to advance their own position either by spending towards their own education or limiting expenditures. The effects of democracy are accordingly, sometimes squared with the effects of decentralisation as local governments find it easier to fund policies and enforce its compliance. In that way, even non-democratic polities that decentralise education decision-making can boast impressive results in expanding primary education from the top-down (Lindert, 2007). Democratic checks and local involvement would explain the creation of legal provisions to enforce public, free, and compulsory formal education for the masses.

From a legal perspective, table 4.2 shows that these milestones were reached more or less at the same time across the three regions. The regulation of provision by a central authority corresponds to supply and control of a national curriculum by the central state. It reflects commitment with the equal provision of a public good, i.e. universal inclusion to the education system. Free and compulsory education signal further commitment by state makers to enforce and motivate compliance with state-backed education. As the years suggest, Australia and New Zealand expanded and regulated the provision of public education after extending democratic rights at least among men (Engerman et al., 2009). But in the Southern Cone and Scandinavia the association of democracy and mass education is probably an example of reverse causality as greater education allowed individuals to participate in elections by meeting minimum literacy requirements. Although not wholly democratic, Scandinavian states involved communities in the provision and regulation of education. The enforcement of provision and attendance were left in the hands of parishes and local communities. Alternatively, the Southern Cone countries were in a better position to impose top-down reform as the funding of the state relied heavily on foreign trade and consequently, community level consent was not required. In both cases that relied heavily on the central state to trigger and enforce mass education, members of the elite such as state officials and bureaucrats might have developed vested interests in the expansion of the educational system as a way to protect the central state from particular economic, religious, and local interests.

In Scandinavia the transition to mass schooling was eased by the state use of parish networks, but a more serious commitment with free and compulsory education was achieved much later in the 19th century, but sooner than Australasia and the Southern Cone. The dates listed in the table for central control of education correspond to the creation of ministries charged with the conduct of ecclesiastical, cultural, and educational affairs. For instance, a formal Danish Ministry of Education and Culture was formed in 1848 when the country became a constitutional monarchy, but the central

Table 4.2: Legal milestones in the provision of public elementary education

	Control and supply by central authority	Free	Compulsory
Argentina	1884	1884	1873/84
Chile	1879	1879	1920
Uruguay	1877	1877	1877
Australia			
<i>New South Wales</i>	1880	1906	1880
<i>Queensland</i>	1875	1870	1900
<i>South Australia</i>	1878	1892	1875
<i>Tasmania</i>	1885	1908	1868
<i>Victoria</i>	1872	1872	1872
<i>West Australia</i>	1894	1901	1871
New Zealand	1877	1877	1877
Denmark	1848	1915*	1814/49
Norway	1814	1814	1848/89
Sweden	1809	1809	1842/78

- *Sources and notes:* *See text for details. Adapted from Barcan (1980, 151), Engerman et al. (2009), and Flora et al. (1987).

state had used the Lutheran church before to increase education supply. Further, the length of compulsory education varied. For instance, parents had to send their children to school for three days a week for seven years (ages 7-14) after the Danish reform of 1814, which increased to 6 days a week in the subsequent 1848 reform. In Norway, compulsory education lasted two months a year in 1848 (i.e. about 2 days a week) and the normal school week would be established only in 1889 (Rust, 1989). In all countries education was “free”, i.e. provided by the state and paid by the local taxpayer, but it was formally considered free in the 1915 Danish constitution.

Prompted by heavy criticism from a variety of Royal Commissions set up to examine education standards in the late 1860s, the colonies of Australia and New Zealand began to centralise the provision of primary education in the 1870s (cf. Meyer, 2000, 309-14). Criticisms centred on the subsidies to denominational schools and a dual system of regulation for denominational and public schools which triggered competition between churches and limited the supply of education in sparsely populated areas. Although

measures to address this issue varied within the Antipodes, all states followed a similar pattern of reform (Barcan, 1980). Central governments merged state and denominational boards of education, and replaced them in time with a ministry of education that would oversee education provision. Several colonies made education compulsory before making it free (i.e. paid by local taxation) which stratified access at first.

Reforms in the Southern Cone regulated school curricula from the central state aiming to provide primary education to all. In a way, the Southern Cone problems were akin to those of Australia and New Zealand: central governments not only had to regulate private education but, more importantly, they had to create national systems. The limited supply of education from the communities themselves meant that Southern Cone states had little to regulate – with the exception of Chile and the south of Argentina. The Southern Cone and Australasia created ministries of education and required the compulsory attendance to primary levels by law. These requirements were written into their constitutions. However, free education was provided before it was made compulsory which somewhat delayed the inclusion of poor families, particularly in rural areas that not always complied with sending their children to school.

Variation in democratic institutions did not prevent all regions to set up legal provisions to expand free, secular, and compulsory primary education. The argument of elite indolence can still be rescued by claiming that they did not provide enough resources for education. Lindert (2010) has forcefully argued that Southern Cone states lagged behind most of the more backward European countries at the start of the 20th century as they did not commit enough resources to public education. The fact that the Southern Cone enrolled fewer pupils than poorer countries, such as Italy, or similarly developed countries, such as the Scandinavians, is a sign that they were redistributing less from the rich elites. Sharing comparable economic conditions and spending similarly per children at school, Southern Cone countries were nonetheless enrolling fewer students than their counterparts in Europe and North America. For Latin America as a whole,

this “shortfall in tax support for mass schooling has been the region’s clearest failing” (Lindert, 2010, 379) and, echoing the works of Goldin and Katz, “without tax support, the private returns to schooling will be lower and the restricted group receiving the schooling will enjoy a higher pay premium” (Lindert, 2010, 386). Lindert finds elite selfishness in the amount of public resources that Southern Cone states distributed towards education. In other work he claims that the percentage of GDP spent on education “gives a sense of how much tax effort goes into egalitarian mass schooling” (Lindert, 2005, 89). Figure 4.3 shows precisely that indicator. The evolution of public expenditures on education follows a similar pattern up to the 1950s. Australia is somewhat down up to the 1940s as most of the funding and spending came from the states and the figures show federal expenditures. Scandinavian numbers could actually be higher as they do not include local expenditures (cf. Mueller, 2007). The Argentine figures are comparatively higher as the federal government provided most funds for provincial education and local taxation was of little importance.

Neither the lack of democracy nor high income inequality impeded the Southern Cone to spend on education for the masses: the three regions were spending within a more comparable range in the early part of the century. The paths diverge in the 1950s with the Antipodean and Nordic countries committing ever greater amounts of public money to fund the expansion of secondary and tertiary education. The timing of the gap comes after Scandinavia, Chile and Uruguay became fully democratic which suggests that competing interests took over the social policy objectives of the Southern Cone. Indeed, Azar and Fleitas (2012) illustrate how education spending in Uruguay fluctuated given macroeconomic instability and pressure to spend on workers’ demands. The divergent trajectory of the Southern Cone and Scandinavia posits a further problem as previous research would predict more demand for education coverage and spending with the growth of democracy. Scandinavian democracy allowed its governments to deepen egalitarian educational policies; democracy in the Southern Cone revealed a number

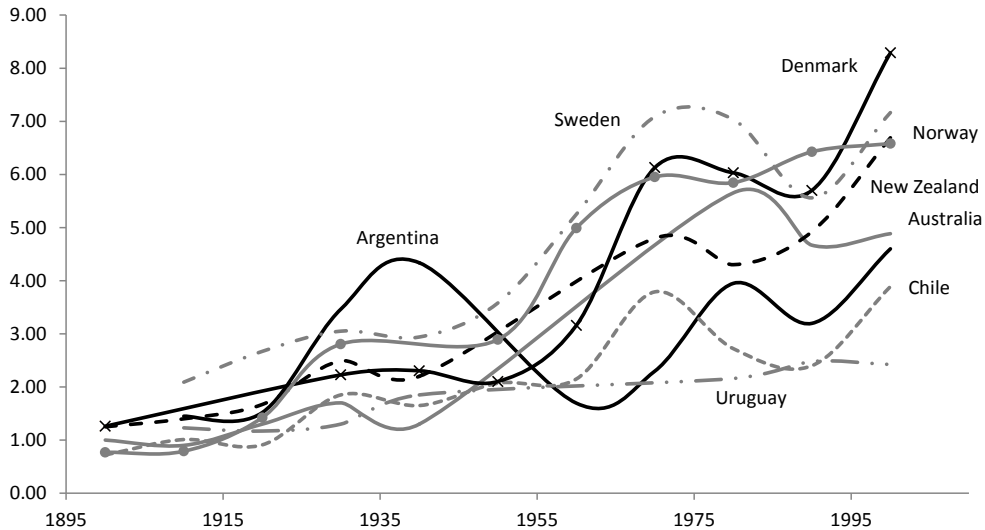


Figure 4.3: Public expenditure in education (all levels) as percentage of GDP

• *Sources and notes:*

- Argentina: figures up to 1990 are calculated from Véganzonès and Winograd (1997), figure for 2000 is from World Bank (2014b).
- Chile: figures are calculated from Díaz et al. (2010).
- Uruguay: figures between 1900 and 1940 are calculated from Nahum (2007a), figure for 2000 is from World Bank (2014b).
- Australia: figures up to 1970 are from Castles and Uhr (2005), and from World Bank (2014b) afterwards.
- New Zealand: figures up to 1960 are calculated from Statistics New Zealand (2012), and from World Bank (2014b) afterwards.
- Scandinavia: figures up to 1960 are calculated from Flora et al. (1987), and from World Bank (2014b) afterwards.

of competing grievances that required public attention. As Southern Cone countries achieved a more unstable settlement of distributional conflict, it is not surprising that the amount spent on education increased more slowly after the 1950s. A variety of social demands competed for public attention while governments were unwilling to increase the taxation of middle classes that provided them with electoral support.

Finally, elite self-interest would show in spending bias towards secondary and tertiary education. Education failed to transform individual capabilities for the many in the Southern Cone as spending was biased towards secondary and tertiary education. Lindert (2010) quotes extensively from the *US Commissioner of Education Reports of Education Statistics in the World* in the early 20th century to show differences in spending

per student and level. The numbers he quotes show that three regions were spending similarly per student in primary education but that Southern Cone were spending significantly more on secondary and tertiary students relative to primary students.²⁴ But in reality, the US Commissioner of Education numbers reflect plenty of variation from report to report. Table 4.3 compares the levels of spending per enrolled student in primary education using the same source. From the figures it is clear that spending varies from year to year, and from country to country with Chile and Uruguay at the lower end of the spending spectrum but still at a comparable range with Scandinavia and some Australian states. Despite variation, Lindert along with others is correct in pointing out spending bias, among the many problems of Latin American education, but this was not exceptional at the beginning of the 20th century. The US Commissioner report of 1914 for instance, offers information on tertiary education spending in Scandinavia and, given the small number attending formal tertiary education, suggests that tertiary students in Norway and Sweden were receiving 43 and 92 times more resources than primary students. This type of bias is permanent in the Southern Cone into the second half of the 20th century (cf. Frankema, 2010c). For instance, university students were receiving almost 12 times more resources than primary pupils in 1900 in Chile and the figure increases and hits over 25 times by the late 1960s; only in the 1980s does the gap begin to decrease and is closed by the 1990s (Díaz et al., 2010). Spending bias grew during the first half of the 20th century at a time that the Southern Cone democratised, traditional elites' power receded, and education expanded.

Mass enrolment in primary education signals inclusion into the education system. Despite spending at similar levels or even below Argentina, Scandinavian and Australasian reforms might have been more efficient in including the poor than the Southern Cone. Similarly, we are interested in enrolment rates in all levels to assess the human cap-

²⁴Although Argentina and Uruguay were richer on a per capita basis than Scandinavians and other nations soon to industrialise, expenditure on primary students was comparable (Lindert, 2010, 397). A British report in 1883 recorded that expenditure per pupil in primary school in Argentina “was roughly the same as in the United Kingdom and higher than in the United States” (Bulmer-Thomas, 2003, 100 fn54).

Table 4.3: Total expenditures per enrolled in primary education in US dollars of the time

	1895	1902	1909	1914
Argentina	32.34	25.81	*	26.72
Chile	6.44	8.95	13.77	
Uruguay		13.58	15.39	21.79
Australia				
<i>New South Wales</i>	13.03	16.52	18.21	29.77
<i>Queensland</i>	11.42	14.54	16.8	21.71
<i>South Australia</i>	10.55	11.54	14.34	20.18
<i>Victoria</i>	13.84	12.5	13.94	17.45
<i>West Australia</i>		18.73	21.89	24.95
<i>Tasmania</i>		15.48	13.25	19.86
New Zealand	15.66	22.15	29.3	25.3
Denmark	11.16			
Norway	6.77	8.31	9.02	15.65
Sweden	5.77	8.84	12.12	15.66

- *Sources and notes:* see text for details. Data are from the US Commissioner of Education (*Various years*). * The figure reported for Argentina that year is a suspicious 5.69 US dollars per student, hence it is not given.

ital argument of Goldin and Katz (2008) as a fast expansion of secondary education would have made these populations more able to reap the fruits of economic change. Secondary and tertiary education compare well with figures in New Zealand and the Scandinavian countries up to the 1920s. Supply-side explanations however, should be qualified on grounds of enrolment data. For instance, 35% of those aged 6 to 14 were enrolled in primary education in Chile in 1900, but 85% by 1930 (Díaz et al., 2010). Figures for those aged 5 to 14 in New Zealand are always above 88%, while in Scandinavia they increase from levels around 60% in 1900 to around 70% in 1930 (see sources in table 4.4). Clearly enrolments are not the whole story. In addition to primary education, table 4.4 suggests that Chile made significant strides and compared favourably with Scandinavian nations in tertiary education and racing ahead secondary (both vocational and general). Reforms and spending in the Southern Cone had an early impact on improving coverage. The figures for Chile are boosted by the fact that they are calculated using a slightly different age bracket in order to get a longer time span of the process. Clearly, there were problems in primary enrolments, particularly com-

pared to Australasia. Education expansion in secondary and tertiary levels might have had little force in reducing inequality as primary enrolments lagged behind Australasia. More generally, why would the education systems of Australasia and Scandinavia be more efficient in improving human capital for the masses than the ones in the Southern Cone?

Table 4.4: Enrolments in secondary and tertiary education by age group, c.1900-1930

	Secondary	Tertiary
	Ages 15-19	Ages 20-24
<i>Argentina</i>		
1915	3.83	0.86
1939	9.11	2.4
<i>Chile</i>		
1900	4.22	0.31
1930	13.5	0.89
<i>Uruguay</i>		
1909	1.38	1.19
1934	7.4	1.34
<i>Australia</i>		
1910	1.49	0.73
1927	13	1.35
<i>New Zealand</i>		
1901	4.23	0.94
1926	20.3	4.11
<i>Denmark</i>		
1902	2.93	0.22
1930	15.5	1.6
<i>Norway</i>		
1904	5.5	0.85
1930	8.37	1.42
<i>Sweden</i>		
1904	4.32	0.9
1929	6.81	1.8

• *Sources and notes:*

- Tertiary education mainly refers to university enrolments.
- Age groups for Chile are 6-14, 15-18, and 19-25. See text.
- Own calculations from Vásquez-Preedo (1988), Díaz et al. (2010), Universidad de la República (2014), Commonwealth Bureau of Census and Statistics (1911, 1929), Statistics New Zealand (2012), Flora et al. (1987), Palgrave Macmillan Ltd (2013).

To explain the efficiency of the different education systems in producing human capital for the masses we should not only try to grasp the motives of political and economic elites in supplying education, but the willingness of most individuals to remain in the system and improve their skills. Given differences in educational achievement and individual productivity over time, it is doubtful that the combination of enrolments and spending would predict much of human capital accumulation. Coverage in itself does not necessarily raise individual productivity for all and in particular the poor. The comparison highlights the fact that there are no simple links between progressive education legislation, granting almost universal inclusion to a largely publicly provided system, and equality. The major difference, given the pace towards centralisation, is that both Australasia and Scandinavia involved local communities in trying to increase the supply of education and achieve compliance with top-down reform. We need to pay attention to the interaction of top-down reform and bottom-up demand for education. Did the three regions involve their local communities in making valuable?

4.4 What explains inclusion?

Instead of the push, this section concentrates on the pull of the education system. Supply-side arguments highlight the restricted offer by elites, and contend that public, secular, free mass education increases inclusion and demand. Lindert (2010) resorts for instance, to the skill premium produced by education in the late 20th century in Latin America to argue that demand for education should have been significant in the first half of the century, hence stressing that a social demand was not supplied. But the skill premia is likely to have been less prominent in the early 20th century than it is today (Frankema, 2010c). If the skill premium operates as an incentive, then why did education grow more slowly in Southern Cone than in Scandinavia and Australasia? The decision to go to school was more complex than the promise of a skill premium driven by individual self-interest, and it took into account material constraints such as

poverty and health. Bad quality education combined with health constraints might increase the risk-aversion to stay in school for too long, a problem that certainly existed in the Southern Cone.²⁵

The usual indicators of enrolments and literacy rates hide important information on the micro social processes that were at stake. It was clear at the start of the 20th century, as it is now, that Southern Cone education problems had to do with creating basic abilities in literacy and numeracy, and that people did not remain for long in the education system. In two lectures in 1938, Angel Acuña, a former Argentinian secretary for education, noted that the most appalling problem of Argentinian education was illiteracy among adults and school children (Acuña, 1943, 11). In the case of adults, the problem was that after dropping out or completing school they would go back to a state of illiteracy as the school system had not instilled reading habits (Acuña, 1943, 260). Literacy rates did not progress unequivocally: they expanded faster in the 19th century up to the 1930s and slowed down thereafter. It took Chile almost 60 years to go from a literacy rate of 75% in 1930 to a 100% in the 1990s (Valenzuela, 2011, 31-2). The education systems were failing their most basic objectives. The poor and the rural were at a disadvantage as they tended to drop out of school and forget what they had learnt.²⁶

While information on numeracy is harder to interpret, the trends are interesting. Scholars of historical inequalities use “age-heaping” to measure quantitative reasoning. The method tries to capture the ability to report an exact age rather than a round number

²⁵Individual-level research shows the complexities of staying for long in the education system and how these decisions are stratified by social class. Children from poorer households tend to be more risk averse than children from richer households and favour shorter-term educational choices. This is the case even in contemporary Scandinavia and, more generally, in egalitarian industrial societies. See Gambetta (1987); Goldthorpe (2007); Breen et al. (2014). In the past, the choice might have been between going or not going to school but it was complex: staying longer without the adequate material support conceals the market opportunities.

²⁶In Chile, between 1899 and 1917, for instance, 60 to 66% of those enrolled in primary education were going to school; by 1915, those enrolled in 5th and 6th grades were 3 and 2% of those originally enrolled in 1st grade. More schools, larger budgets, and generous legislation were not producing the intended results (Vial Correa, 1981, 200). Rural populations or individuals with scant primary education were at a disadvantage with their urban counterparts. By 1914 only 49 and 44% of school-aged children attended school in the Provincial cities of Salta and Santiago del Estero, while 61% attended in the more prosperous Buenos Aires (Scobie, 1971, 154-5).

by dividing the “number of people who reported non-preferred ages (i.e. ages that are not a multiple of five) by the total number of people” (Baten and Mumme, 2010, 282). What is interesting for this discussion, is that countries in the three regions begin the century with numbers above 90%, with the exception of Chile at 87%. However, as the 20th century progresses, Argentina, Chile, and Uruguay stagnate while the others reach figures around a 100% (van Zanden, 2015).²⁷

Supply could not meet demand nor promote compliance with rules created at the state level. Failing to commit families meant in practice the exclusion of an important proportion of individuals from full primary education. Through centralisation, Southern Cone policy makers sought control rather than commitment of local communities. Short-term decisions, such as to drop out or not attend, became endemic among the poor. True, middle classes benefited and expanded thanks to public education and demanded more access to university, but both the new middle classes and the old elites became frustrated by the decisions made by the poor. The poor became to be seen as unworthy and lazy as they did not take the opportunities that policy makers were granting through schooling.²⁸ Variation in the patterns of centralisation and demographic conditions explain why the Southern Cone made a slower progress than the other two regions in turning public education into human capital.

4.4.1 Two forms of centralisation: inclusive supply and credentialism

The triumph of metropolitan areas

The provision and running of primary education by local communities organises school-

²⁷Chile improves from 87% in 1890 to 94% in the 1930s and 1940s; Argentina improves from 93% in 1880 up to 98% in the 1920s but then stagnating around 97 and 98% up to the 1950s; and Uruguay also remains around 98% in this period (van Zanden, 2015; Baten and Mumme, 2010).

²⁸The process whereby elites blamed the poor for not making the most of open opportunities echoes Tilly's formation of categorical inequalities. According to Tilly (1998) ideologies and normative judgements about categories are produced after they have formed to organise and distribute valuable resources. In the case of the Southern Cone, ideas about the laziness of the poor came after the creation of education systems which showed lack of commitment by the poor to attend school.

ing from the bottom-up, as families and individuals become involved with the education of their children. Without the infrastructure to provide education, policy makers in the three regions aimed to improve mass access by motivating or forcing local communities to bear the costs of funding and administrating their schools. Only after these decentralised solutions were in place, with different degrees of success, did central governments take on the responsibility of regulating and funding the provision of public education from above.

It happened first in Scandinavia as a result of state nationalisation of the church. Once a national network of parish schools was consolidated, the three Scandinavian states could more easily centralise provision and standardise school curricula. Crucially, however, communities were involved in the funding and supervision of schools, which meant in practice that schools operated in a decentralised form to meet the standards imposed by the central states. Education received the support from economic and local elites as a form of disciplining rural populations. The education provided by parishes fulfilled this requirement, leading some later critics to dub these reforms a form of “social engineering” (Ahonen and Rantala, 2001). Parish-based schooling became systematised at the start of the 19th century.²⁹

The 1842 Swedish School Reform Act shows how central states strived to gain the support of local communities in implementing reforms coming from the top. It was originally met with resistance from families unwilling to lose their children’s labour, but the act included a series of instruments to promote enrolments and attendance, win over the families’ concerns, and create commitment: boards were elected by the communities, girls were incorporated into schools, and teachers learnt their trade while working in the schools(cf. Nilsson, 2005, 112-3). From the 1840s, the central state provided grants to

²⁹The crucial point was the creation of the “people’s schools” in the 1840s: they aimed to complement the compulsory elementary education of the peasantry with some form of secondary or adult schooling connected with working conditions. The *folkeskole* appeared in 1814, later expanded in 1844, in Denmark, in 1827 in Norway, and the *folkskola* in 1842 in Sweden.

local communities that had scant resources to fund local schools. In turn, this prevented wealthier urban areas to receive better education. The state helped local communities through centralisation: rural areas, with fewer taxable resources, would receive funding from the central government so as to make education comparable across each Scandinavian country (Nilsson, 2005). As a result, migrant rural workers were well educated in comparison with their counterparts in cities or in other countries where they migrated. By the end of the 19th century, the sons of Swedish farmers were more likely to go to university than the sons of urban workers (Tomasson, 1965, 209-10). The importance of rural education should not be minimised as it helped rural workers compete on more equal terms with urban workers when the three Scandinavian countries urbanised during the first half of the 20th century.

Centralisation in the Australian colonies and New Zealand also stemmed from the need to regulate and improve the provision of education which had been largely left to churches and private initiatives. It followed a similar pattern to the Scandinavian countries in that the central states started to supply education from above in an attempt to reach rural and sparsely populated areas. As tax-payers' funded local public schools, they were left with the task of involving communities and running the system. As supply became public, the need to subsidise private and denominational schools ended by the 1870s.

The type of challenges that education expansion faced in the Antipodes was akin to Southern Cone realities.³⁰ Led by the Church of England, denominations had blocked attempts to create a central system of education between 1833 and 1848 as they benefited from having an almost exclusive monopoly while receiving government subsidies (Barcan, 1980, 57). But soon private, church-based, solutions to education provision

³⁰In Australia for instance, "the presence of a large class of convicts, the instability of family life, the existence of social and moral problems, and the special circumstances of a new, undeveloped country quickly produced changes in the organisation and administration of educational institutions" (Barcan, 1980, 7).

were deemed inadequate as schools and good teachers were lacking in rural areas, and were competing in an inefficient way in urban areas where they concentrated. This was partly a consequence of the fast economic growth experienced by the Antipodes for most of the 19th century that led to higher rates of urbanisation shifting the demand for education to cities (Belich, 2010, 2011). As in Scandinavia, education was also seen as a tool for control and discipline by the elite but in these cases applied to unruly itinerant and increasingly expanding urban populations.³¹

The involvement of central governments ended this imbalance by increasing and standardising the supply of education. In the context of wide internal migration, it meant that itinerant and seasonal workers were in a more equal footing to compete with urban workers just like in Scandinavia. More importantly, the centralisation of education provision at the hands of the state did not neglect local economic and social conditions. Centralisation was achieved with community consent and did not lead to lasting conflict between religious and political authorities, or between local and central authorities. As John Mackey summarised when commenting on the 1877 New Zealand Education Act, which centralised and made education compulsory, “when the principle of state responsibility was accepted by the community generally, the problems of support, of compulsion, and of the most favourable balance of power between central authority and local control, became matters of administrative policy rather than of political principle” (Mackey, 1967, 281).

Tight regulation from the central state in the Southern Cone reacted to similar structural challenges. Since independence in the 1810s amid the internal struggles to consolidate national states, the three Southern Cone republics attempted local solutions to provide mass education. It was tried first in Chile, as we saw, by requiring that parishes and municipalities fund and provide education. The practice continued into the 20th century

³¹Like the US, itinerant and seasonal rural workers valued education as they could use the basic skills learnt in primary school as they changed jobs and cities (Whitehead, 1999).

as the state began to subsidise private education and granted resources to private schools in relation to their student intake and their urban/rural status. Unlike Scandinavian and Australasian solutions that equalised opportunity across urban and rural sectors, as the costs of living were higher in cities and urban schools enrolled more pupils, the subsidies were larger for urban areas and attracted the best teachers. It created incentives to build schools in more densely populated areas.³² As a result of subsidies, the private share of enrolments increased from about 10% to 30% between 1900 and 1950, this number meant that private education covered more than just a small elite and helped to consolidate a middle class (Newland, 1991, 464).

In Argentina, the 1853 constitution endorsed the right of primary education and assigned the role of fulfilling the task to provincial governments. The federal state provided subsidies and funded federal run schools in each province as well, which created competition between provincial and federal schools. Federal schools would dominate over the education system after the creation of the National Education Council, a federal administrative body in charge of education for all the country, through the Public Education Law of 1884. The act further made primary education free and compulsory. Unlike Chile, where centralisation coexisted with state subsidies to private providers, enrolments in private schools declined during the first half of the 20th century.³³ This reflected both that the national state was successful in centralising, despite retaining a Federal outlook, and lack of competition from the Catholic church. However, the provincial/federal, and urban/rural distinctions prevailed.³⁴

³²Monsalve Bórquez (1998) includes in a collection of 19th century documents, an editorial of *El Mercurio*, a conservative daily, on the 5th of September 1905: the paper comments a bill aiming to reverse a law in 1893 that had created the wage distinction between rural and urban teachers. Urban teachers were better paid because costs of living were greater in cities, and their schools received more public resources as they enrolled more students. The daily concluded that if any discrimination it ought to favour rural schools.

³³From 15% in 1900 to 8% in 1945, and provided education mainly for the elites (Newland, 1994, 464).

³⁴Itinerary schools were tried in rural areas and there was a campaign to reduce the amount of compulsory years and the length of the school day to accommodate rural interests but without visible success (Pinkasz, 1993, 16-9).

Uruguay followed a similar path towards centralisation. Already in 1847 it had created the Institute for Public Education charged with regulating the education curriculum and helping local boards and regional authorities to set up schools. But policy makers in Montevideo, the capital, were increasingly dissatisfied by the lack of local progress. The consolidation of the national state and greater revenues allowed the central government to build a national system of free primary education in 1877, with Montevideo benefiting more than the rest of the country.³⁵

To illustrate the point, figure 4.4 summarises census microdata on education achievement for adult wage earners aged 30 to 65. As the samples come from censuses in the early 1960s they are picking information on workers that received education in the first half of the 20th century. Migrant workers are those who migrated from provinces to urban centres in Chile, and those who moved into Montevideo in Uruguay. Bar male Chilean migrants, non-migrant urban workers were better educated than their counterparts coming from rural areas.

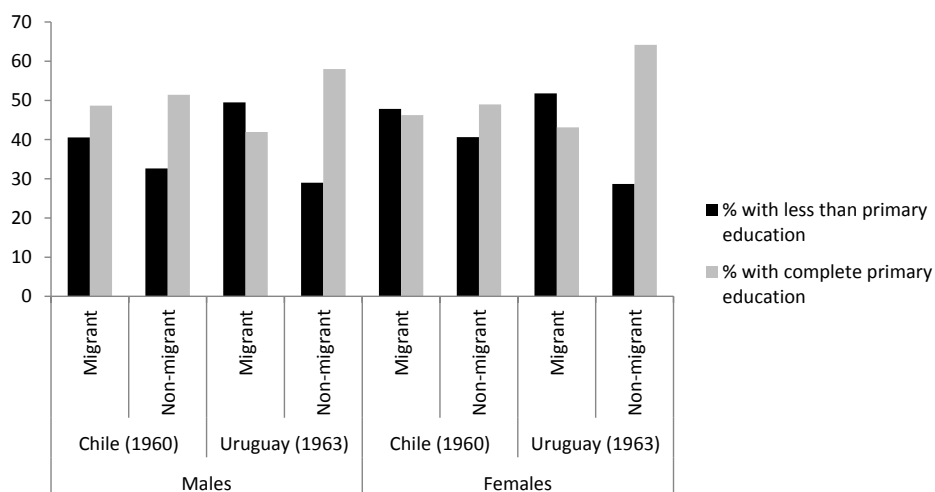


Figure 4.4: Educational attainment of wage earners aged 30 to 65

● Source: Own calculations from Ruggles et al. (2013).

³⁵In 1854 one of the Institute's reports read that "when (people) talk about education in rural departments it is either a lie or the beginning of a farce" (Bralich, 1987, quoted in 41).

Unlike Australasia and Scandinavia the centralisation of public education did not completely solve the crucial problems of rural and non-metropolitan supply. The central administration of education was achieved without community and local support. As the Southern Cone states began to rely on taxes on foreign commerce they could impose regulation without paying attention to local interests. Modernist or technocratic visions blurred complex local realities to state makers. As previous attempts to boost local education had not worked to the satisfaction of contemporary ideals, educators and metropolitan elites resisted the involvement of local elites and communities. Local elites were blamed for not providing or resisting education for the masses. By centralising provision, policy makers could wrest resources away from local, predominantly landholding, elites (c.f. Newland, 1991). The creation of national school systems were thus part of the consolidation of the central states in the 19th century in a process whereby central policy makers limited the influence of local *caudillos*.

By neglecting local conditions, e.g. the demand for more practical instruction in rural and mining centres, national education systems marginalised rural children and failed to provide equal opportunities (Reimers, 2006, 248). The difference became relevant in time as urban migration in the late 19th century and early 20th century created a class of informal, uneducated and itinerant workers who would settle in appalling conditions in the outskirts of the main centres (cf. de Oliveira and Roberts, 1994). Policy makers did not ask why decentralised strategies had not emerged in the first place, and as we will see in the next section, quickly blamed the poor themselves for not taking the opportunities offered by the state. Top-down centralisation partly solved problems of infrastructure and supply but did not address the issues of cooperation from below. Understandably, they attempted community solutions at first, just like Australasia. But the fact that they did not prosper meant that there were deeper problems than just providing schooling by law. The resulting urban bias affected equality. But the contents of the education curricula affected inclusion as well as it failed to link education with economic

transformations.

Double top-down centralisation: the university bias

The organisation of the primary school system had two biases in the Southern Cone that are not present in the Antipodes or Scandinavia. Not only did they favoured urban over rural settings but they all geared their school systems towards general university education. Biases and drop-outs reflect problems in the implementation of education policy and the prevalence of enlightened principles among policy makers. Hence, policy makers neglected the conditions under which the poor could make the most of educational opportunities. Educators geared primary and secondary education towards university; schooling would prepare for college rather than for life.³⁶ The school system was built from the university down to primary school in an attempt to abandon Hispanic legacies and achieve European high culture. Despite having completely different educational histories, formal mass schooling in Australasia and Scandinavia was built from below: from primary up to secondary and tertiary levels.

Scandinavians enjoyed a rich legacy of classical education dating back to the middle ages, which centred on the *gymnasium* or grammar schools and their link to their old universities. The consolidation of the national state required secondary and tertiary education to provide able civil servants to the national bureaucracies (Øystein, 2000). The people's school was a new experience of late primary or secondary education as it was not linked to the old universities and supplied skills necessary for both the urban and rural economies. Their objective was to teach basic literacy and numeracy skills but also to foster individual character and develop manual abilities making the market transition easier (Högnäs, 2001). For much of the 19th century then, the grammar school and university system, which taught an intellectual curriculum for the elites, coexisted with primary schools oriented to teaching basic skills. This duality was supported by

³⁶In contrast to the US for instance (Goldin and Katz, 2008).

political and economic elites as education did not threaten existing hierarchies. It reinforced the status of academic activities but mass education became popular (Ahonen and Rantala, 2001; Högnäs, 2001). Later reforms in the 20th century would attempt to close the gap between university and school by improving the status and quality of manual education in secondary schools and reforming the grammar schools (Tomasson, 1965).³⁷

Neither Australia nor New Zealand had a university tradition based on a classical curriculum and connected to their national administrations. Like Scandinavia, they created a mass school system that converged on two important parameters: a focus on early education and a concern for the teaching of practical skills and work habits. These two characteristics made education appealing to communities as little time invested on schooling triggered significant improvements in human capital.

The impetus for equal opportunity through early education came not only from the inefficiencies of school provision but from the emergency of urban poverty. Policy makers sought in pre-primary education an answer to these problems. It first tried to adapt the British “infant school” through private charities following the example of Robert Owen. Its objective was to “civilise” indigenous and rural populations, and children from poor urban families, from a “barbaric” way of life (Prochner, 2009, Ch 1). Accordingly, from the 1860s both Australia and New Zealand adopted a public system of infant schools starting at age 5.³⁸ The infant school was later replaced by the German-inspired *kindergarten* with a more practical orientation as it taught children through

³⁷The predilection of Scandinavia for vocational education began early in the late 19th century. As later scholars have argued this type of education requires investment on skills that become redundant with technical change and favour the development of social insurance (Iversen and Stephens, 2008). Vocational education was widespread even before legal reforms. Female and male workers were expected to complement their long working hours with evening instruction. As Fredriksson (1923), Director of the Trade and Technical Department of the Swedish Board of Education, noted, vocational education became almost compulsory for workers in Stockholm in the early 20th century to improve their productivity and help them adapt to uncertain economic cycles.

³⁸This explains why Australasia scored better in the enrolment figures above as children were formally enrolled at a very early age (Prochner, 2009, Ch.3).

team play and body self-control (Prochner, 2009, 127-8). Political and economic elites supported these efforts in early education as they saw in them a tool to fight poverty (an interest among radicals) and provide order and discipline (a conservative objective). Without a tradition of medieval schools and universities, the Australasian colonies remained focused on early opportunity even though they later expanded secondary and tertiary levels.

The organisation of the school system in the Southern Cone lacked both an interest on early/primary education and a practical orientation and this made it more difficult for families to keep their children in the system for long. Many argue that difficulties to access were exacerbated by rural elites that wanted to keep their labourers' children away from the classroom and the Catholic church who resisted secular education (Reimers, 2006). But at least from an economic point of view, rural landlords, even if they did not actively organise or supported education from "below", usually resented the type of education that the state provided for not being practical enough. Like Scandinavian rural elites, the Rural Association, a club of wealthy Uruguayan landowners, demanded in the early 20th century the expansion of primary education in the countryside as a form to discipline their workforces (Bralich, 1987, 59). The Argentinean Industrial Union, the formal association of wealthy industrialists, favoured a more practical education and objected to the 1914 law that expanded secondary and tertiary education as it feared that middle classes would develop an aversion to manual work and would lose solidarity with industrial workers (Puiggrós, 2003, 94). In Chile too, vocational schools of a more technical and practical character were created by the National Agriculture Society and the Society for Industrial Development as a way to compensate the lack of human capital among the population as primary education was not meeting their demands for skill (Vial Correa, 1981, 170-2).

Avoiding calls for a more practical education, liberal elites in the Southern Cone supported mass education as a force for cultural change. Policy makers used primary

education to create social cohesion, through new ideals and national models. In part, large migration meant that newly arrived migrants had to adapt to national identities – a crucial issue for Argentina and Uruguay but also for Chile who tried to lure foreigners into its soil (Engerman et al., 2009; Greissing, 2000; Leone, 2000). It became a tool for mixing the native (including rural labourers and indigenous communities) with the national.³⁹

Inspired by Napoleonic reforms, the organisation and regulation of primary education was left in the hands of metropolitan universities as the main tool to impose secular education. To reap economic fruits from education, individuals would have to stay long past primary levels in order to get a credential to access jobs in public administration. The orientation towards university was both a cultural ambition of policy makers that tried to copy European moulds and a practical tool as it ensured the supervision of non-metropolitan areas from the political centre. The university presided over the examination of secondary schools.⁴⁰

The University of Buenos Aires was founded in 1821 by Bernardino Rivadavia, then minister and later first president of Argentina (1826-7). That is, almost 60 years before the consolidation of primary education. His policies gave the university control over national education and the president exerted a strong influence over the university. In this way he could improve Buenos Aires at the expense of rural districts: while rural

³⁹Alternatively, most migration to Australia and New Zealand came from Britain who shared a common culture. In contrast, between 1880 and 1910 Uruguay saw in primary education the means to achieve a national identity and to “rescue the semi-salvage boy of the countryside who would learn to civilise himself and worship the nation” as Abel Pérez, the inspector of primary education, put it in 1919 (Greissing, 2000, 71). Little consensus existed on the economic consequences that education would have, but it was considered a vehicle for social cohesion through the teaching “civic catechism” (Greissing, 2000, 142). In Argentina the centralisation of education was a “symbolic correlate” to the consolidation of the state (Pinkasz, 1993, 15).

⁴⁰An example is the *Liceo de Copiapo*, a secondary school in a northern Chilean city, which boasted an interesting collection of technical equipment and supplied skills for the mining industry. However, to get the degree of engineer the student had to make the 800 kilometre trip to Santiago and pass an examination in the University of Chile. By the late 19th century the university forced students to spend the last year of their secondary degree in Santiago. By 1896 the *liceo* had to close as enrolments dropped (Vial Correa, 1981, 168).

caudillos wanted a more useful (and in all probability, Catholic) education supervised by local boards in their communities, Rivadavia and the liberal elite in Buenos Aires defended a more theoretically-driven and humanist education (Puiggrós, 2003, 57).⁴¹

Despite looking at the US and Germany for inspiration as elites grew frustrated with the French model, later educators in Argentina would deepen a system where the university prevailed over schools through its influence over the ministry of education. Like Chile and Uruguay, the impetus for reform at pre-primary and primary levels was dying at the start of the 20th century. Reforms by Alberti and Saavedra Lamas in 1884 and 1914 sought to impose a more practical curriculum adjusted to local conditions but were subsequently eliminated and schooling returned to a more traditional, encyclopaedia-type, education in the first half of the 20th century (Puiggrós, 2003, 111-12). A shared theme among Southern Cone educators was that theoretically-driven, general, education warded against the mundane objectives of practical education – notably identified with the US. School preference for abstract contents was a way of “spiritualising the classroom” against what was seen as an Anglo-Saxon cold “pragmatism” in the 1930s (Puiggrós, 2003, 117).

The educational histories of Chile and Uruguay also help to illustrate the point. The University of Chile was created in 1842 and put in charge of national education; that is, 36 years before the consolidation of a national system of primary education. Like Argentina, the system was oriented to shape a new liberal elite with progressive ideals that would shake off what was considered a backward Spanish legacy. In Uruguay, the University of the Republic was created in 1833 amid domestic strife and inaugurated in 1849. Like their Southern Cone cousins, it was given a custodian role over primary and secondary education.

⁴¹University dependence on political patronage made it a double-edged political sword. It would fuel student protests and become an important organised interest to lobby for state resources, but it could also be an ally of policy makers.

In contrast, in both Scandinavia and Australasia, universities expanded after the consolidation of the national school system and were not in charge of supervising primary and secondary education: their objective was to provide an edge in technical development and improve the quality of civil servants.⁴² While the expansion of formal education in Australasia and Scandinavia sought to engage local communities, centralisation in the Southern Cone aimed to transform their cultures and create new, enlightened, elites through university. Although the path to education was opened to everyone, it consciously targeted the best and was unforgiving towards the poor.⁴³

Differences are apparent in the distinction between professional or general and vocational education. The general track in the three regions aimed to recruit able civil servants and politicians to work for the state. In Scandinavia the track consisted in a combination of grammar schools and university education. It was very different to the average education that a common peasant or urban worker would get: it was highly intellectual and separated from manual works. At the school level, grammar schools were soon integrated into the high school system and the curriculum abolished the distinction between manual and intellectual education. At the tertiary level, vocational and commercial schools were incorporated. In Australia and New Zealand, the track to university also included a classical education at the secondary level but the first universities were joined by a number of technical, mining and commercial schools.⁴⁴

⁴²In the Antipodes, the leaders in education reform boasted of the oldest universities: Melbourne (1855) in Victoria, Sydney (1850) in New South Wales. The other colonies established universities at the same time or after the creation of a wide network of primary and secondary education: Adelaide (1874) in South Australia, Western Australia (1911), Queensland (1909), and in New Zealand, the University of Otago (1869-71). Scandinavians had of course older universities. In Denmark the University of Copenhagen had existed since 1479 but it was followed only in 1928 by the foundation of a second university (Aarhus). In between the foundation of both universities, Denmark established a wide system of secondary and commercial schools, and even a technical university in 1829. These tertiary systems of education followed naturally from the education provided at primary level.

⁴³Blomström and Meller (1991) see this as a result of humanist curricula, i.e too much Latin – a common theme in contemporary debates in Britain and the US. But no Southern Cone country can boast of a classical tradition comparable to Scandinavia and Australasia. Latin was suppressed definitely in Chilean high schools in 1901 (Vial Correa, 1981, 191) and in 1909 in Uruguay (Bralich, 1987, 81) to be replaced by modern languages (English, German and French). In this way reformers thought they could undermine the church. Secondary schools in Scandinavia and Australasia still offer Latin or Ancient Greek.

⁴⁴Even here classical education aimed to be as practical as possible. It did not promote memorization

In contrast, university preference in the Southern Cone neglected vocational schools and did not try to balance theoretical with practical subjects. Furthermore, the university could influence the curriculum of primary education. The aim was to provide a new cultural platform for educated elites and the teaching of law.⁴⁵ Had economic elites wanted to profit from the global economy, engineering and agriculture would have competed with law.⁴⁶ For instance, Valentin Letelier, a Chilean educator and architect of late 19th century reforms, saw the education system as a form to cradle new elites leaving primary and secondary education to the common people. His point was that the whole of society benefited from the handful of lawyers with general education. Further, the autonomy of universities would sometimes defeat mass education. Barros Arana, a Chilean educator and director of the University of Chile, opposed government policies aimed at expanding secondary education for the masses as he thought that the university would lose control over high schools.⁴⁷

Primary education could not be easily turned into human capital. The problem was not coverage or the existence of a small elite of university enrolled, which in any case was comparable across the three regions. Predilection for law as a means to get public jobs might square with credentialism given that productivity did not improve at the same pace. Credentialism operated at the top, but the problem lied in primary and secondary levels. It created a gap between those who received little education at primary levels and a few that could go all the way to university and get jobs in public administration.

Concentration on higher education affected the quality of primary education. Finding

but independent thinking and the connection of classical themes to modern literature (Barcan, 1980, 127).

⁴⁵Not surprisingly, and roughly with the same population, Chile graduated one mining engineer, two architects and 102 lawyers in 1910 (Vial Correa, 1981, 199), while Sweden graduated in the 1890s 200 engineers (Nilsson, 2005, 113). In Uruguay, law in the early 20th century received 30% of enrolments while Agronomy, Veterinary, Chemistry and Engineering together not even 10% (Bralich, 1987, 95).

⁴⁶It was widely commented at the start of the 20th century that Chileans were being overrun by migrants with better human capital and technical expertise, and the same happened in Argentina (Vial Correa, 1981; Edwards, 2003; di Tella, 1992). Progressive landlords had to send their offspring to study agriculture abroad.

⁴⁷He firmly opposed the cloning of the *Instituto Nacional*, Chile's best public secondary school, in the rest of the country in the late 19th century (Vial Correa, 1981, 134).

good teachers for primary education was a constant problem in the Southern Cone. For instance, The Appeal Court of Santiago had, for instance, sentenced a thief to serve as a primary teacher in the distant Copiapo for three years in 1831 (Newland, 1991, 347). By investing on secondary and tertiary education without achieving universal access to primary education, teachers in primary education lost status. They were badly paid and could often find better employment in other areas (Vial Correa, 1981, 213-4). In contrast, teachers in Australasia and Scandinavia were well regarded by their communities and well paid by the state (Barcan, 1980; Högnäs, 2001). Table 4.5 shows the relative stagnation of teachers per enrolled primary students in Chile and Uruguay but within levels that are comparable to Australia and New Zealand. However, as there were fewer enrolments at the beginning of the period in the Southern Cone, the impact of teachers for the whole cohort of children aged 5 to 14 is much lower (Lindert, 2007).

Table 4.5: Primary school teachers per 1000 enrolled students

	1900	1910	1920	1930	1940	1960
Argentina	*	29	30.6	39.1	36.9	45.6
Chile	23.3	18.5	22	21	22.7	26.3
Uruguay	27.9	23.9	22.3	27.3	25.1	30.3
Australia	24.5	27.9	31.9	36.7	36.2	35.1
New Zealand	27.9	28.8	29.5	30.8	32.3	31.7
Denmark	27.4	26.6	32.1	32.8	37.7	41.7
Norway	21.7	22.8	28.8	27.7	37.6	37.8
Sweden	22.4	27.2	38.3	45.7	53.9	53.3

- *Sources and notes:* *Teacher information for the whole of Argentina is not available for 1900. Own calculations from Palgrave Macmillan Ltd (2013), Vásquez-Preedo (1988), Díaz et al. (2010), Commonwealth Bureau of Census and Statistics (ears), New Zealand Census and Statistics Department (ears). Data for Sweden in 1960 correspond to 1950. Data for Denmark are for teachers in primary and secondary levels. Data for New Zealand exclude Maories (however, the ratio for Maories was higher than for whites in 1900 but for a more limited student intake).

The centralisation of primary education from the top of the educational ladder and the political centre, failed to promote local development and the acquisition of basic skills. But the explanation is not the political calculation and material interest of economic elites, on the contrary it should be sought in the normative interests of educators and

political elites who in an attempt to promote education failed to consider the conditions that made access possible. These norms sought in urban universities the answer to the backwardness of Southern Cone mores and Hispanic legacies and the slow progress of community based primary education. So while the supply of education increased, education standards would stagnate around the 1930s: literacy rates begin to improve more slowly than in the past, a growing urban population found it hard to go all the way up to university to reap the economic fruits of the education system.⁴⁸

4.4.2 Health and demography: structural constraints to demand

Larger budgets and more regulation did not improve attainment as fast as policy makers expected. Political elites and educators quickly seized the opportunity to lay the blame on the poor themselves rather than on policy design. The fact that the poor were not taking advantage of the opportunities open to them, funded with public resources, led educators to see the masses as non-deserving as they neglected the enlightened ideals that were supposed to flow from the education system.

Although most research uses education supply, spending, and enrolments to explain the differences in human capital,⁴⁹ a cursory look at basic demographic indicators reveals that, more than differences in these supply-side indicators, the most notorious source of variation between the three regions is the aggregate information on health and reproductive behaviour (see chapter 2). Poor health, low life expectancy, high child mortality, and more generally, economic hardship, conditioned the decision of the poor to send (and keep) their children to school. The problem of human capital was not that elites did not spend on education, but did not spend on those material conditions that would have made access more likely, such as mass vaccination programmes and school meals, (cf. Sater, 2003) boosting family demand.⁵⁰

⁴⁸See Puiggrós (2003, 165) and Valenzuela (2011).

⁴⁹See Lindert (2010); Reimers (2006); Engerman et al. (2009).

⁵⁰Research finds that variation in demographic behaviour and health is linked to economic growth and

In some indicators, the Southern Cone is not too far from Scandinavia and Australasia but, as we have seen before, the divergence begins to show in the 1930s. By 1900, the average male in Scandinavia and Australasia was 4 cm. taller than the average Argentinian male (168 vs 172 cm). By 1950, the difference had increased to around 8 and 9 cm.⁵¹ In other human capital indicators, differences are more visible.

As well as getting taller, as table 4.6 shows, Scandinavians and Australasians were living longer and having fewer children than their Southern Cone counterparts – and these differences continued despite considerable progress in the Southern Cone during the century (Astorga et al., 2005). Hence, demographic conditions at the start of the 20th century were not propitious for education attainment. Policy makers that centralised education saw a lack of will or laziness from the poor as the cause deterring them from going to school. Esping-Andersen (2007) argues that high inequality might be transitional phase in societies that have a high number of dependants (i.e. children and the retired). If during exceptional periods of fertility driving dependency rates up, children acquire the necessary human capital through education for instance, inequality is bound to decrease in the long term. In chapter 2, I showed that this type of argument is pertinent as individual productivity slowly increased in the Southern Cone at the time when they were having more children. Adding drop-outs and the difficulties in creating basic skills through formal education, inequality might have become structural. This left governments only with macroeconomic, instead of “microeconomic”, tools to alter income distributions.⁵² Growing populations plus inefficient provision of primary

inequality, as better health, fewer children, and a longer life expectancy increase demand for education and the accumulation of human capital across the life course (see Castelló-Climent (2010) for an assessment of this argument with contemporary cross-national data. Becker et al. (2012) corroborate the association for 19th century Prussia).

⁵¹The average Chilean and Uruguayan male exhibited a similar height by the 1950s, around 170 cm. The Argentinian average height might be boosted by European migration however: the Gini coefficient of height, in cm, ranged between 41 and 47 while that of less-migrant Chile between 27 and 32 between 1900 and 1940. Argentinian Gini levels in height are close to Swedish levels around this time. See van Zanden (2015) and Baten and Blum (2012).

⁵²Economic analyses of Latin American populism usually stress the use of macroeconomic policy to solve microeconomic problems such as the distribution of income. See Dornbusch and Edwards (1991); Sturzenegger (1991); Larrain and Meller (1991) and for Uruguay, Bension and Caumont (1979).

education meant a larger body of badly educated workers.

Table 4.6: Demography and health in the early and mid 1900s

	Birth rate		Mortality		Life expectancy at birth	
	1900	1950	1910	1950	1900	1960
Argentina	38.3	25.5	148	68	39	65
Chile	38.4	34	267.3	139	29	57
Uruguay	32.6	18.6	105.1	64	48	68
Australia	26.7	23.3	75	24	57	71
New Zealand	25.6	25.9	75.2	28	59	71
Denmark	29.7	18.3	101	31	55	72
Norway	29.7	19.1	67	28	56	74
Sweden	27	16.5	75	21	53	73

- *Sources and notes:* Birth rate is per 1000 population; mortality is under 1 year per 1000 live births. Data for 1900 correspond to 1910 in Argentina. Birth and infant mortality rates are from Palgrave Macmillan Ltd (2013); Nahum (2007a). Life expectancy rates are from Díaz et al. (2010); Statistics New Zealand (2012); World Bank (2014b).

Chile exhibited higher mortality among infants, lower life expectancy and higher fertility than Argentina and Uruguay partly because the latter group received a large influx of healthy and literate foreign immigrants at the turn of the century.⁵³ Chile had experienced a downward trend in fertility rates during the 19th century but the trend reversed in the first 30 years of the 20th century. While fertility was reduced in Argentina and Uruguay during this period, it started increasing in the 1930s and again in the 1960s as economic conditions deteriorated. Better demographic conditions in Argentina and Uruguay did not lead to a constant decrease of inequality by way of improving human capital as education attainment stagnated. Lower life expectancy and high child mortality made the stay in school costly and reflected in drop-outs. The temporal horizon of the poor is likely to have been shorter than for the richer elites and middle classes, and hence their decisions avoided risk by staying out of the school system.⁵⁴

⁵³In an editorial in 1914 titled “The state of our health”, *El Mercurio*, a Chilean daily, picked up on these figures to note worryingly that “the state of our health has until now traversed a diametrically contrasting path to that of the civilised nations. While (infant) mortality has everywhere followed a descending curve, we have led an ascending line”. With these figures, the article concluded, any prospect of economic growth and military might was seriously compromised (*El Mercurio*, 1914).

⁵⁴In contrast, increased longevity in Sweden between the 1800s and 2000s explains at least 20% of the growth of school attainment (de la Croix et al., 2008, 180). Valenzuela (2011) argues that given variation

Educators in the Southern Cone did not miss on the fact that families and individuals were responsible for dropping out of school. Instead of focusing on their material needs, they preferred to blame the poor. This attitude had a long history and preceded the expansion of the education system.⁵⁵ The Primary Instruction Law that made primary education compulsory in Chile illustrates a top-down rule enacted without instruments to make it feasible. It made it compulsory for parents to send their children to school and for landlords and factory owners to set up schools in their firms. But only in the 1950s did the Chilean state create boards of school support that, among other things, would provide free meals in schools in order to boost attendance and family compliance.⁵⁶

Educators in Argentina blamed the poor as their enlightened reforms seemed to progress slowly. Sarmiento, one of the main reformers of the 19th century and inspired by the strong local education of the US, had already complained that local communities did not engage with the education of their children. For Sarmiento, the problem was the poor themselves. Indians and *gauchos*, rural labourers that roamed the countryside, were impossible to educate given their vices (Puiggrós, 2003, 69). But later commentators in the 1930s blamed poor families as well. Without popular commitment, “the school was only maintained by an act of authority” as the main discernible cause of school absenteeism and drop outs was “paternal negligence”, “a deficiency in the fam-

in the design of welfare policies, it is likely that Southern Cone families reacted having more children to compensate the risks of economic change. Argentiniens, Chileans, and Uruguayans had more children after the 1929 crisis, while “Australians from many backgrounds reacted (...) by delaying marriage, limiting their fertility, and requiring more years of schooling from their children” (Teese, 1999, 3).

⁵⁵An early Chilean report on the attendance to schools written by the monitor of primary schools in 1864 read for instance that “the true causes that inhibit the constant concurrence of children to schools are the many preoccupations of the people that arise from their own ignorance. Not understanding the benefits of instruction, not feeling immediate positive results, consulting only their own interest and not conceiving of the child more than a mere instrument to help them profit, more than indifference, (the family) feels hatred for the school (...). In my opinion, the most efficient way to remedy this wrong is to make schooling compulsory. Neither begging, advice, nor stimulus are enough to obtain from rude and ignorant people the acceptance of a good (education) that they do not understand” (Monsalve Bórquez, 1998, 21-2). But this assessment of the poor continued into the 20th century as educators grew frustrated with educational outcomes.

⁵⁶See Arellano (1985a, 39-40) and Valenzuela (2011, 34).

ily” (Acuña, 1943, 227). By strengthening family life, compliance with compulsory education would improve (Acuña, 1943, 284-5).

But family compliance with education was hardly a top priority. Reports on the malnutrition of children were abundant in late 19th century and early 20th century in the Southern Cone. Eloiza Díaz, a Chilean public health advocate and doctor, wrote in a report to the Minister of Public Instruction (i.e. education) in 1905 that poverty limited children’s opportunities in school. Malnutrition affected their concentration and physical capacities during the 7 hour school day (Monsalve Bórquez, 1998, 23-4). Furthermore, public health and hygiene were not taught in schools so children did not learn how to ward against microbe and other hazards (Pineo, 1998, 187). Southern Cone feminists, like Díaz, stressed these health factors to explain why the poor and children of single mothers stayed away from education. For them, an endemic problem of fast urbanisation and economic growth was the spatial mobility of fathers who did not take care of their children (Lavrin, 1998). Social protection and children’s health were crucial factors for progressive educational reform to impact human capital. Women complained that progressive social protection had acted to mitigate the consequences of the large number of illegitimate children and lone mothers through maternity insurance, but had not solved the causes of fathers’ irresponsibility.⁵⁷

In contrast, Scandinavians and Australasians quickly realised that improving material opportunities for the poor and itinerant families was essential to boost education standards. Countries in both regions began early national programmes to provide free meals in schools in the late 19th century. The most famous became known as the “Oslo breakfast”, a model that championed the scientific administration of nutrients to children and was later copied in other Norwegian cities and other countries (Andresen and Elvbakken, 2007). As material conditions improved over the course of the 20th century

⁵⁷In contrast, welfare legislation in New Zealand for instance, following strict Victorian mores, made men liable for abandoning women and their children (Thomson, 1998).

it was abandoned in the 1950s, just when Chile began its own free meals programme to improve conditions among the poor. Many of these measures to enhance the health of the young were part of the “maternal turn” that expanded subsidies to maternity in order to boost fertility. Australasians and Scandinavians designed many of their early welfare policies in order to increase, what was considered then, their low fertility rates.⁵⁸

The Southern Cone improved their fertility rates to compensate the lack of social welfare without really making schooling appealing to local communities and families. The pace of education attainment slowed down during the 1930s and 1940s and dropping out became a widespread behaviour for many among the poor. The centralised curriculum around the university and lack of material incentives meant that families and communities faced a long education track in order to achieve some kind of social mobility or improve their economic opportunities. Policy makers fretted as education was formally free and was aimed at changing social habits. But they did not strive to make the offer appealing and engage communities from below. A temporal short-term decision became a longer-term structural difference. The rich and those middle classes that grew out of the education system could improve their human capital without facing competition from below.

⁵⁸For instance, the “population question” took over the public debate in Sweden in the 1930s. Increased fertility was a policy objective shared by conservatives, who dreaded the racial future of Sweden, and Social Democrats, who advocated a scientific approach to family planning. A population commission set in 1935 was responsive to suggestions of a widely circulated book by Alva and Gunnar Myrdal, “The crisis in the population question” published a year earlier. In it, the two sociologists advocated a number of measures to improve hygiene and the health of the poor in order to improve fertility rates. Although many of the more radical recommendations were abandoned (such as those concerned with sex education in schools), universal policies based on house inspections, maternity leave for working mothers, and municipal day centres were passed (Rausing, 1986, 527-8,532). Fertility rates moderately improved after these policies were enacted over the course of the 1930s and 1940s; women began to access the labour market in mass while children received public pre-primary education.

4.5 Discussion

Rent-seeking elites, exclusionary institutions, and concentration of power are easily blamed to explain why Latin America “fell behind” other regions. Out of self-interest or cultural backwardness, elites, goes the argument, did not provide education. In the Southern Cone however, they did. The pace of reform towards secular, free, and compulsory primary education, the amount of resources destined to education expansion, and even enrolments were more comparable across the three regions during the first half than later in the 20th century. But clearly, outcomes in attainment and human capital formation varied.

This chapter argues that we should complement existing supply-side explanations that stress the provision of education by central states and elites, to demand-side explanations that focus on the conditions that made inclusion and access possible among the mass of the population. Critical for the divergence between the three regions were the biases towards urban schooling and the power invested on national universities to oversee education reform. These biases meant that reform from the state down to communities failed to gain the cooperation of local groups and families. In the case of the Southern Cone, education did not automatically turn into human capital (cf. Hanushek and Woessmann, 2012).

Studies such as that of Lindert (2010) are correct to point out educational differences to explain inequality. But they miss the mark by focusing too generally on vaguely defined economic elites and their self-interest. Economic elites bemoaned the fact that education did not translate in better prepared workers for their industries and estates. Where Lindert (2010) is wrong is in assuming that a skill premium would easily translate in higher demand for education: it did in the 1980s and 1990s but amid different conditions to those of the 1920s. The decision to go to school is far more complex, and

risk aversion is a documented motive among working classes and the poor. To receive a premium, usually linked to a university credential and a public job, the average citizen in the Southern Cone would have had to stay far too long in education.⁵⁹ Their counterparts in Scandinavia and Australasia could exploit economic benefits from limited exposure to a practical primary and secondary education. Education reform in Scandinavia and Australasia clearly adapted to existing economic advantages and conditions; in the Southern Cone education systems were designed to achieve cohesion and promote a more enlightened culture.

Conditions from below are better correlated with education expansion than voice and democracy – at least in the Southern Cone and Scandinavia. Decentralisation of education provision and funding involved communities in Scandinavia and Australasia, and better health and a longer life-span meant that going to school was profitable in the long-run. Poverty in contrast, affected the inclusion of Southern Cone children into the school system despite a secular curricula, a free tuition, and legal compulsion to attend.

To explain this puzzle the chapter looked at the conditions that made education demand, from families and communities, possible. Two combined factors seem to explain differences in education attainment and human capital formation: the design of education systems and demographic conditions during the time education reform was implemented. In Scandinavia and Australasia, progress towards formal schooling through state centralisation committed local communities and achieved compliance with education. For the Southern Cone countries, education was another form of political consolidation of the central state as it could implement reform from the top without involving local communities. Education reform was implemented through the vested interest of the national universities. In addition, Australians and Scandinavians moti-

⁵⁹This is, naturally, not enough. With data from the 1980 Zimmerman (2013) showed how the skill premium of top managers in Chile was stratified by school choice and elite closure: having been in the right school and being associated to the right families increased the premium of highly paid professions even if you went to prestigious universities.

vated the compliance of families by improving their material conditions in response to falling fertility rates. Argentinians, Chileans, and Uruguayans preferred to question the poors' compromise with educational values without acknowledging their material needs. Economic change and insecurity were then met with constant or increasing fertility rates as a long-term investment and this behaviour is likely to have reproduced poverty.

Surely the backward-elite argument can be applied to other aspects of social policy such as vaccination and taxation but probably not to education which was a shared objective among policy makers (cf. Sater, 1976, 2003). After a critical mass of citizens entered formal education and reaped the economic fruits by the mid century it seems that new middle classes hoarded education opportunities. In this context, it is difficult to interpret the problem of mass education just as a battle between liberals (wanting more) and backward conservatives (wanting less education). Both groups, even if not thoroughly organised, wanted different types of education given their own interests. Economic elites favoured more practical curricula. Educators and liberals attempted to change the mores of the mass of the public through a more European-oriented education. Conservative and Catholic intellectuals preferred more traditional education in charge of the church. Supply of mass public education increased thanks to liberal-minded educators and their copy of foreign models, but they seldom paid attention to the structural constraints that most of the public faced in order to access education.

Chapter 5: Taxing and Rewarding

5.1 Introduction

Up to this point I have suggested that wage regulation that harmed workers' collective capacities and shaped the shadow economy, and education that failed to include the poor and translate into human capital, are two aspects of the erratic pattern of the distribution of income in the Southern Cone. These results were not intended or consciously pursued by policy makers and social actors; they certainly were not a simple by-product of power asymmetries where traditional landed and industrial interests prevailed. On the contrary, the exclusion of workers and the poor from wage agreements and education responded to short term policy designs that intended to solve distributional conflicts and promote the compliance of relevant groups with state-sponsored regulation. Groups sought state patronage but were not strengthened as a social class. Political elites and parties could buy peace by catering to the needs of few organised interests. Being selective towards pockets of the working and middle classes, these policies diminished overall cooperation and had short-term outcomes that strained the stability of distributional trends. But labour markets and human capital hinged upon a wider settlement of taxation and social spending policies that was reached in the early part of the 20th century and prolonged into the 1970s.¹ Labour markets, human capital, and redistributive policies required solving collective action problems with regards to groups' self-discipline and compliance. In the case of taxation and social spending,

¹Even recurrent regime change, as in Argentina after the 1930s, did not stop the deepening of labour, education, and redistributive policies that sought to achieve short-term cooperation in the Southern Cone.

lack of stable funding for social policies, the absence of a wide tax-base, and exclusion from redistribution rendered the effect of seemingly progressive policies a short-term one.

In this chapter I cast the puzzle of Southern Cone inequality in the light of taxation and social spending policies, the latter defined as both direct transfers to individuals, such as pensions and maternity benefits, and indirect transfers and services, such as education and health. Current research associates income inequality to variation in taxation and spending. This association in turn feeds into our assumptions of how taxation and social policy work. Taxation and social spending are two distinct redistributive tools. As taxation plays a minor role in redressing Southern Cone inequality, we tend to assume that the taxation regimes of Argentina, Chile, and Uruguay must have been regressive in the past and designed to favour powerful organised interests. The comparative framework suggests nevertheless that across the three regions taxation was far more complex. Southern Cone taxation actively sought to exempt wage-earners and targeted the sources of wealth of the rich: exports from natural produce and, later, capital. The income tax base in Scandinavia and Australasia was wider and the taxation of consumption goods, via sale taxes, made them not thoroughly progressive. Taxation affected how expenditures were allocated as social spending became far more progressive in Australasia and Scandinavia. A stable and growing fiscal base allowed for the expansion of social benefits.

As in the previous two chapters, a seemingly progressive set of policies, increasing taxation and social spending, was not accompanied by long-lasting decline of income inequality in Southern Cone. Revenue and expenditure within a comparable range up to the 1950s, produced a variety of outcomes between the three regions. To understand why, this chapter studies the patterns of taxation and spending and the cooperation that these policies elicited among the population. Under what conditions do increased revenue and public expenditures work to reduce inequality? Taxation is a crucial part

of the answer as it provided a framework for sharing obligations and building policies that cut across the class divide. Where inequality did steadily decline, taxation also provided stable funding for policies that improved human capital and labour conditions among the poor.

This chapter discusses first research on taxation, social spending, and inequality. After organising the puzzle with taxation data, I break the chapter in two sections. In the first, I look at the taxation policies that these regions pursued in the early part of the 20th century. Data suggest that the systems varied in substantive ways but not in terms of their progressive or regressive effects on working classes. A key difference was that the tax systems of Australasia and Scandinavia were more stable as they relied on domestic sources of income, thus shielding social spending from turbulence in international trade and building shared obligations that made people cooperate with the provision of social welfare. In the second, I explore social spending policies. These varied significantly between and within the three regions, but taken together with taxation, three distinct patterns emerge. Scandinavia consolidated a system of taxation that bore heavily and equally on the poor and middle classes but granted universal access to publicly provided insurance. Australasia consolidated a system of taxation that bore on all classes but whose benefits were targeted to the poor as formal workers and middle classes were protected by high wages. In both these cases, the poor received regular benefits while public education and pensions became more universal. The Southern Cone, in contrast consolidated a light system of taxation whose benefits were awarded predominantly to formal workers and middle classes, sometimes even on a case by case basis. A final section concludes by relating long-term inequality to the collective action problems that both taxation and spending policies failed to address in the Southern Cone, in particular the difficulties to widen the tax base.

5.2 Taxation, Social Spending, and Inequality

A progressive model that predicts lower inequality as a function of increased social expenditures and taxation is supported by empirical research: countries that tax and spend more score lower levels of income inequality than those that do not (see Esping-Andersen, 1991; Hall and Soskice, 2001; Alesina and Glaeser, 2004). Although taxation and spending are two separate instruments, when taken together rich countries redistribute more towards the poor than poorer countries. Revenue raised in developing countries usually has little effect in reducing income inequalities and is likely to redistribute income to the wealthy (see Chu et al., 2004). Argentina, Chile, and Uruguay fit this pattern when compared with their counterparts in Australasia and Scandinavia (see table 5.1).² Nordic and Antipodean countries not only redistribute more, but the differences between these countries and the Southern Cone are likely to have been more permanent: the poor in these regions might have historically benefited more than the rich from public goods and spending (see Lindert, 2007; Tanzi and Schuknecht, 2000). Inequality is not redressed in the long-run by casual lump-sum transfers.³ Only if we consider short-term redistribution such as direct transfers and subsidies do Argentina and Uruguay reduce inequality in orders of magnitude comparable to Scandinavia and Australasia.⁴

Taxation and public expenditures can have progressive, proportional, or regressive effects on the distribution of income. Taxes are progressive if their rate increases with

²Taxes play almost no role in reducing income disparities in the Southern Cone. Redistribution takes place mainly through direct subsidies (see Engel et al., 1999; Wang and Caminada, 2011; Sánchez-Ancochea, 2008; Bird and Zolt, 2013).

³Social spending needs to solve time inconsistency problems so long-term growth and inequality are not compromised by increased short-term consumption among middle and working classes (Iversen, 2006). Stable expectations on insurance can trigger investment on human capital among the poor (Iversen and Stephens, 2008; Sen, 2000; Piketty, 2000; Valenzuela, 2011).

⁴Using data from the Luxembourg Income Study Wang and Caminada (2011) find that most redistribution in Uruguay takes place through direct transfers: the Gini coefficient of Uruguay decreases from 0.54 to 0.43, a comparatively large reduction. Similar results are found for Argentina and, to some extent, Chile (see Goñi et al., 2008; Lustig et al., 2013). However, this form of redistribution is unstable as direct transfers or subsidies depend more on political cycles than citizens' rights.

Table 5.1: Gini coefficient of household income distribution before and after taxes and social spending in 2009

	<i>Before taxes and transfers</i>	<i>After taxes and transfers</i>	<i>Change in coefficient</i>
Argentina	0.49	0.45	-0.04
Chile	0.53	0.51	-0.02
Uruguay	0.49	0.46	-0.03
Australia	0.47	0.33	-0.14
New Zealand	0.45	0.32	-0.13
Denmark	0.41	0.24	-0.17
Norway	0.42	0.25	-0.17
Sweden	0.44	0.27	-0.17

Source: for Argentina and Uruguay see Lustig et al. (2013) and for all others see OECD (2012).

income (the rich pay a higher rate than the poor); proportional if they remain constant regardless income levels (rich and poor pay the same); and regressive if they fall as incomes increase (the rich pay less than the poor) (see Kaplow, 2008; Salanié, 2003). Conversely, social spending is progressive when it rises as incomes decline; constant if it remains flat with incomes; and regressive if it decreases when incomes decrease. Spending is usually not proportional to income as the poor receive comparatively more from redistribution and public goods than the rich. But being different tools, regressive policies when combined can have progressive outcomes (see Kaplow, 2008, 16). Progressive spending can offset the effect of regressive taxation. Beramendi and Rueda (2007) draw attention to the fact that Scandinavian countries have increasingly relied on regressive taxes, such as the VAT, to finance their welfare states and dissuade the wealthy from moving capital away. Social Democratic parties face the paradox that they have to charge workers for keeping the welfare state. But the effects of regressive taxes are offset by progressive spending; regressive taxation can be seen as a condition for welfare expansion as it tries to compensate the poor for the taxes they pay (see Kato, 2003; Timmons, 2005).

Research on power resources and varieties of capitalism studies the progressive and regressive effects of taxation and spending. For the former, the presence of strong socialist parties would predict higher taxation of the rich and redistribution towards the

poor. For the latter stream, taxation and spending are negotiated and reflect the trade-off of different policy objectives. To keep the economy growing, they claim, governments to the left conciliate the need for investment and capital accumulation with redistributive justice by lowering taxes on capital and keeping a wide tax base so as to fund welfare. But despite variation in political institutions, in political traditions, and the power resources available to the left, both Scandinavia and Australasia countries were efficient in diminishing market inequalities. The effectiveness of their national states contrasts firmly with those of the Southern Cone where, despite institutional variation, the three countries appear equally less efficient in reducing inequality.

Sociologists argue that power parity is not enough for progressive taxation and spending to work. Both tools have an indirect effect over income inequality by defining an accepted common ground through which the tax bargain and its rules become stable over time. Taxation and spending distribute sacrifices and rewards that can lead to compromise and class solidarity or to antagonism and conflict. For Martin et al. (2009, 1), “taxes formalize our obligations to each other. They define the inequalities we accept and those we collectively seek to redress (...). In the modern world, taxation *is* the social contract”. To work at the aggregate level, taxation and spending require solving two problems at the individual level: (1) a collective action problem defined by the disposition of individuals to cooperate with taxation – a wider tax-base eases the payment of taxes by promoting solidarity and deterring free-riding among taxpayers; (2) a temporal or time consistency problem in that the state needs stable sources for funding social policy – a state has to limit its use of arbitrary means to raise revenue by consenting to tax more permanent and agreed sources of revenue (e.g. substitute expropriation of property for taxation of income). To sustain revenue in order to provide benefits, individuals must consent to taxes and accept redistribution to others. It is easier to consent to taxes and redistribution if one’s interests are protected or included

in the bargain.⁵ Taxation and spending have a long-term effect over inequality as they define the motivations for people to consent to taxes, cooperate with the state (e.g. by providing information on assets), and back measures to fund and provide other people with welfare. Besides allowing for progressive redistribution and inclusion into welfare, taxation and social spending provide stable fiscal resources and cross-class bargaining that reduce collective action problems over time.

Predatory rulers that discount the future can use coercion to extract short-term resources from their subjects, but as Levi (1988) shows, this leads to less compliance and higher transaction costs that render taxation inefficient. But a country can ditch the difficult question of raising revenue through taxes and seek redistribution instead through external sources of income. Several examples come from literature on taxation of natural resources, as state makers can avoid the political costs of bargaining taxes with conflicting interest groups. While the exploitation of natural resources provides transitional sources of revenue, spending becomes attached to volatile economic cycles that lead to pro-cyclical or inefficient spending or a “natural resource trap” (see Alesina et al., 2008; Becker and Mulligan, 2003; Collier, 2008). The stability of social spending is conditional on the fiscal pact. This argument finds support in research that links regime type to taxation: increased taxation of domestic sources such as income and wealth rather than natural resources promotes democracy; in turn, “voice” and representation increase the demand for social spending (see Lindert, 2005; Ross, 2004). Bräutigam (2008) notes that taxes generate ties between state and society, and that a healthy bargaining leads to higher cooperation with the state.⁶ The form through which taxes are raised and spending is decided provides a framework for peacefully managing distributional conflict and creating lasting reciprocal obligations.

⁵North (1981) noted for instance that Britain after the Glorious Revolution was more successful in raising revenue through Parliament than absolutist France. Levi (1988) stressed the fact that states have to motivate compliance or “quasi-compliance” with taxation by protecting property rights and securing taxpayers’ interests. On direct taxation as a condition for stable democracy see Tilly (2009).

⁶See also Cheibub (1998) on how dictatorships can be as effective as democracies in raising revenue.

Rather than competing explanations, specialised literature looks at different aspects of taxation and spending that have progressive or regressive effects over the distribution of income. Research on inequality often quantifies the effects of taxation and spending, while literature on state-making and welfare states studies the different political and social alignments that gave rise to a variety of taxation and spending policies. The two are connected as the effects of taxation and spending are conditional on state capacities, state makers' motives, group interests, and taxpayer's compliance.

The preceding discussion could be divided in at least two big models that link taxation and social spending to inequality. The first would stress the power resources of the left and unions together with the autonomous character of the state to coerce elites into paying more for workers' welfare. Increased taxation of the rich and spending towards the poor would explain the constant decline of inequality over time. This model could be labelled a "top-down" explanation of inequality as it is a function of the organisation capacities of the left and the use of the state to implement redistributive measures. Inclusion into welfare widened in order gain workers and middle classes support – leaving self-serving elites with little alternative but to pay. The second model, would highlight the negotiated character of taxation and spending policies. It would stress that policies work better if all interests, those of economic elites as well, are considered so as to make redistribution viable over time. This "bottom-up" approach considers that the critical factor behind the success of these policies lies in solving collective action problems in the long-run to prevent taxpayers from free-riding on their obligations while receiving welfare.

The top-down model is backed by evidence. The works collected in Atkinson and Piketty (2010, 2007) find that increased taxation in the postwar era reduced income concentration at the top of the income ladder in most of the Western world as it placed obstacles for capitalists to recover their fortunes after years of war and depression. Piketty (2014) used the same sources to highlight state capacities to prevent the accumulation of

capital through steep progressive rates of wealth and income taxes. Regressive taxes in consonance with elites' material interests would have the opposite effect. Sokoloff and Zolt (2006, 2007) have argued that Latin American states, from colonial times onwards, relied on regressive taxes that reflected deep social inequalities compared, for instance, to the US. The former relied on indirect taxes that punished consumption of the poor; the latter on direct taxes that punished the wealth of the rich. This feeds nicely into Acemoglu et al. (2005) contention that institutions created to preserve the power of the rich cripple the property rights and economic expectations of the poor. This line of research would not only predict that taxation and spending favoured elites in the Southern Cone, compared to somewhat more benign elite interests or power parity in Australasia and Scandinavia, but that states would have committed less resources to public goods. If the left and unions could organise politically against the economic interests of the elites, and inaugurate a steady system of redistributive policies in Scandinavia and Australasia,⁷ lower levels of revenue in the Southern Cone would be indicative of imperfect democracies, the exploitation of workers, and an ultimate unwillingness from elites to redistribute to the poor.

Figure 5.1 plots fiscal revenues as percentage of GDP as an indication of the state's capacity to extract resources from society. On the fiscal side of the first model, figure 5.1 shows comparable levels of revenue up to the 1910s with New Zealand and up to the 1940s with Scandinavia. If revenue was the deciding issue, then, the central states in the three regions were capable of funding a similar amount of social services for a period of time. Australasia, the richer region at the beginning of the 20th century, exhibits better funded states. Revenues increase significantly in the 1960s to the 1980s in Scandinavia and to a lesser extent in Australia and New Zealand but the two regions are converging on distributional outcomes during that period. Revenues in the Southern Cone stagnate after considerable growth from the 1930s to the 1950s.

⁷See Esping-Andersen (1988); Korpi (1983); Castles (1985).

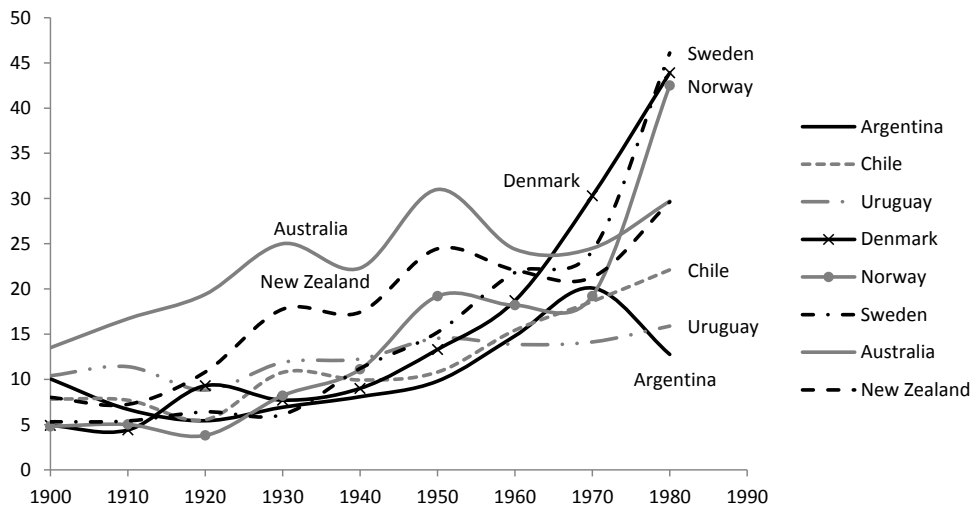


Figure 5.1: Tax revenue as percentage of GDP in Australasia, Scandinavia, and the Southern Cone

- *Source:* For Argentina Véganzonès and Winograd (1997); MOxLAD (2011); for Chile Díaz et al. (2010); Arellano (1985b); for Uruguay Azar et al. (2009). For Scandinavia Flora et al. (1987). For Australia Tanzi and Schuknecht (2000); for New Zealand: Statistics New Zealand (2012).

The question is whether states and policy makers were diverting revenue towards social spending. Figure 5.2 suggests that, on aggregate terms, Southern Cone states were not far behind in providing resources, even if minimal for today's standards, to social programmes such as education, pensions, and health. After the 1940s there is a marked difference between the three regions. Expenditures follow the tax capacity of Scandinavia and Australasia: they grow more in the former than the latter. Expenditures grow faster than taxation in the Southern Cone but the amount of GDP spent on public goods matches the Australasian trends up to the 1970s and falls short from the Scandinavian only after the 1960s. The official figures for Argentina hide information on indirect redistribution through state sponsored charities and patronage which would boost its aggregate trend.

Spending figures reveal more comparable commitment towards redistribution during the first half of the 20th century. After the 1940s the regions followed different trajec-

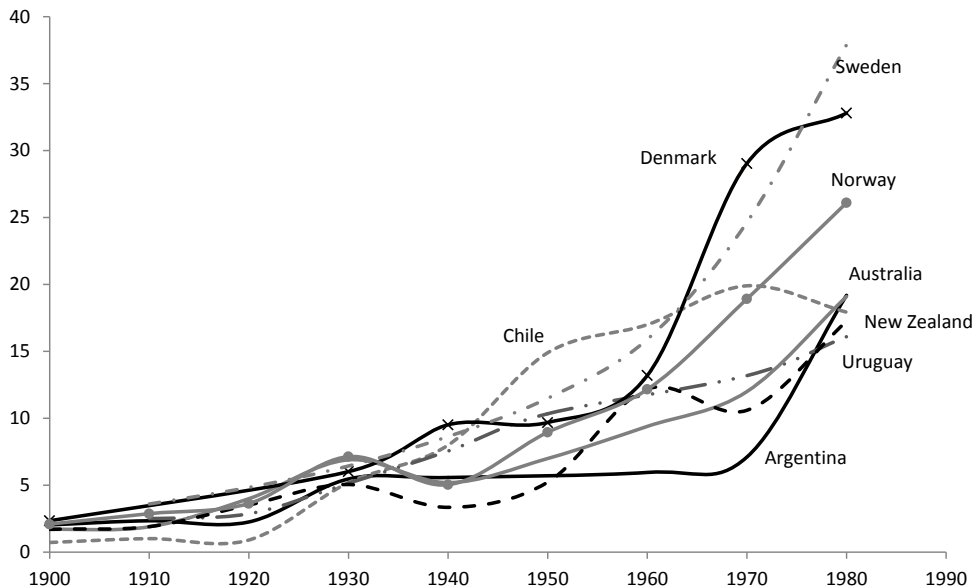


Figure 5.2: Social spending (education, health, welfare) as percentage of GDP in Australasia, Scandinavia, and the Southern Cone.

- *Source:* For Argentina Véganzonès and Winograd (1997); MOxLAD (2011); for Chile Díaz et al. (2010); Arellano (1985b); for Uruguay Azar et al. (2009). For Scandinavia Flora et al. (1987). For Australia Tanzi and Schuknecht (2000); for New Zealand: Statistics New Zealand (2012).

ories that could explain long-term inequality into the 1980s and 1990s. Note however, that after the 1940s Australasia was achieving similar levels of income inequality to Scandinavia with resources comparable to the Southern Cone. The series up to the 1950s do not support the idea that state makers or economic elites might have had different motivations to redistribute through public goods. Inequality in the long-run appears less a function of top-down policies and economic elites' impotence against the push of progressive governments. Following Acemoglu et al. (2005) for instance, we would have expected less revenue and spending in the Southern Cone than in the other two regions. Or perhaps more revenue but extracted from the poor. The existence of veto players and the political organisation of farmers, business groups, and the right balanced the push of the left and unions for income redistribution in both Australasia and Scandinavia (Baldwin, 1999; Robinson, 2005). The Southern Cone economies could provide their states with enough revenue from taxation of natural resources, in-

ternational trade, and foreign loans (Centeno, 1997, 2002). This of course affected state capabilities as they relied on less stable forms of funding which undermined the development of state bureaucracies (see also Campbell, 1993, 177). Even if Southern Cone countries relied on a variety of sources to raise state revenue, they were not far behind. Their states could provide, perhaps more cheaply and without stable structures of taxation, revenue that was neither progressive or regressive in order to fund social programmes. The puzzle moves then into a second model that conceives taxation and social policy as a constant bargain with social organisations and relevant actors so as to achieve permanent cooperation with state-makers legislation.

The important questions concern the forms of taxation and spending that prevailed in order to explain how progressive or regressive they turned out to be. How did elites protect their economic interests faced with progressive governments and demands for redistribution? What sorts of redistribution did workers and middle classes expect? Naturally, external factors contribute to understand the growth of taxation and spending. The two World Wars widened the tax-base in Australia and New Zealand. But in all cases, social issues such as urban poverty and the risks associated to economic growth were the underlying factors behind progressive legislation. Only in the Southern Cone the poor benefited from the absence of taxation but they were not compensated by either high wages as in Australasia or universal social security as in Scandinavia (suffering inflation instead). Both Australasia and Scandinavia built shared obligations through “universal” taxation and a stable system of redistribution (either universal or targeted). The Southern Cone states, in contrast, manipulated taxation and spending selectively to buy groups’ allegiances. Aggregate taxation and spending figures are not enough to explain the national divergences in income inequality if we don’t pay attention to the underlying social process.

5.3 Taxation: sharing obligations

Were taxes progressive? Did they elicit compliance among the respective populations? Progressive tax rates are thought to keep inequality down and compliance up, thus making distributional trends stable. For a top-down model where states are used democratically by the left to achieve redistribution the key issues would be the degree of progressive taxation that can be imposed over the rich. For a bottom-up perspective which looks into the bargaining between social actors and the state, we would see a more nuanced relationship between regressive and progressive taxation and spending as they reflect a variety of interests within society which demand broad levels of compliance and cooperation.

5.3.1 Progressive domestic taxes

Sokoloff and Zolt (2006, 2007) correctly identify taxation as a key aspect of Latin American inequality in comparison with the English colonies to the north. For them, income and power inequalities led to a system of taxation in Latin America that favoured the landed elites. If the system of taxation is progressive, runs the argument, the poor benefit whereas if it is regressive the elites gain by preserving inequality.⁸ In their analysis, direct income taxes are a measure of how progressive a taxation system is. On that account, the taxation systems of colonial Canada and the north of the US relied heavily on property taxes which means that elites were paying their fair share to fund public policies such as free primary education. On the contrary, the taxation systems of Latin America, and the Southern Cone, relied heavily on indirect taxes such as sales taxes which bore on the poor and reflected entrenched social differences. Colonial dynamics

⁸But it could be argued that elites in Latin America avoided domestic taxation precisely so as to limit the amount of resources that powerful leaders, *caudillos*, or local landlords could get. In other words, to avoid paying into the coffers of competing elite groups.

might have had a lasting effect on the development of taxation systems.⁹

Figure 5.3 looks at the percentage of state revenues extracted from domestic income and property taxes. If domestic taxes are a sign of progressive taxation, then only Denmark and Norway were “progressive” at the beginning of the century as they had traditionally relied on property and income taxes both at the central and provincial levels (a measure of the strength and autonomy of their respective central states) (cf. Zimmer, 2003). The Australian trend reflects the centralisation of income taxes at the Federal level as they had been collected only at the state or provincial level before. Income taxation begins later in the Southern Cone and has a brief success up to the 1950s, with the exception of Uruguay that taxed only property and exports during the period. Soon direct taxation became the main yield for the Scandinavian¹⁰ but particularly for the Australasian states. Taxation of income failed to consolidate in time and halts its growth after the era of progressive reforms in the Southern Cone.

Domestic taxes are not progressive if levied on the poor. Table 5.2 summarises information on the income tax, its top marginal rate, and the percentage of taxpayers relative to adult population. Top marginal rates give us a sense of how much of their income the rich had to pay; the coverage of the income tax indicates how many people were meant to pay it. During the first half of the century all countries, bar Uruguay, had enacted income taxes at progressive rates and these increased over the years. The top marginal

⁹Taxation in Latin America had evolved from colonial tribute and other sales and occupational duties to tariffs and some forms of wealth and income taxation. Many of the independent countries continued extracting heavily from indigenous communities, notably in Bolivia. But the three Southern Cone countries evolved in a different way: they relied heavily on commerce, foreign loans, and in times of economic need domestic taxes, to fund their states. Even in the US there was variation given the different sources of income and wealth. Particularly during the Civil War, the south had the alternative of cheaper forms of revenue by taxing foreign trade and the export of cotton which were easier to collect than the resisted income taxes. The pattern of taxation in the south of the US during the civil war was remarkably similar to that of the rest of Latin America: it taxed commerce, natural resources or produce, and led to high inflation during the conflict (cf. Webber and Wildavsky, 1986). Scandinavian absolutist monarchs were better at imposing domestic taxation amid European competition but even them devised instruments to win over nobles and bourgeoisie and receive cooperation from local areas (Jespersen, 2000; Øystein, 2000).

¹⁰With oil and larger indirect taxes, the income tax stopped being the main source of revenue in Norway; but that did not stop most Norwegians having to pay it.

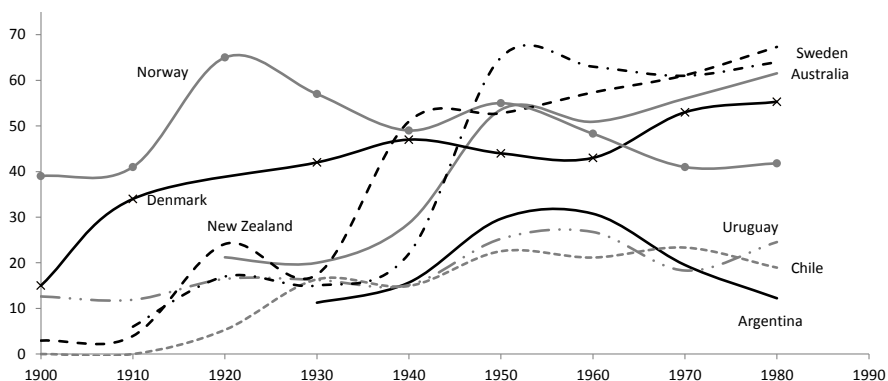


Figure 5.3: Direct (income and property) taxes as percentage of total state revenue.

- Sources: Calculated from Véganzonès and Winograd (1997); Díaz et al. (2010); Universidad de la República (2014); Azar and Fleitas (2012); Palgrave Macmillan Ltd (2013); Flora et al. (1987).

rate is calculated for the richest 1% in Scandinavia but the tax brackets could be in fact more progressive and sometimes included one or two taxpayers. Surely, the fact that top marginal rates grew faster in Scandinavia and Australasia is an indication of the capacity of non-elites and unions to force the rich into paying more for redistribution – to over 70% compared to the Southern Cone’s 40% (although it was far more progressive in non socialist Australasia than social democrat Scandinavia). Despite progressive rates, what differentiates these systems is the wider tax base (the ratio of tax units to total tax returns). The Second World War was the main factor behind the widening of the tax-base in both Australia and New Zealand. The growth of the welfare state triggered more domestic taxes in Scandinavia. No wonder it became the main source of revenue as most people in society were subjected to pay. The tax-base in the Southern Cone was limited to the rich and wealthier wage-earners. It was a progressive system as working classes and the poor were exempted. The Southern Cone could never fund their states through the taxation of income because few paid it. Although there were many exemptions and loopholes in their tax systems, workers were largely exempted from taxation. Income taxes became mass-taxes in Scandinavia and Australasia and remained a upper-middle class-tax in the Southern Cone.

Scandinavians and Australasians exhibit higher rates of domestic taxation through their

Table 5.2: Main features of income taxation

	Year introduced	Top marginal rate	Coverage	Top marginal rate c.1950	Coverage c.1950
Argentina	1932	12	1.8	40	5.2
Chile	1925	10	*	40	*
Australia	1915	25	14.1	75	59.8
New Zealand	1892	5.8	13.3	76	65.3
Denmark	1903	15	18.9	60	97.2
Norway	1882/1911	10	6.5	73	60.6
Sweden	1902	6	7.2	70	90.1

- *Sources and notes:* Tax systems vary a great deal, figures are only to illustrate the growth of mass taxes in Scandinavia and Australasia. Coverage refers to taxpayers or tax returns divided by adult population. See text for details.
- Argentina and Chile: Alvaredo (2010); Arellano and Marfán (1989); Marshall (1939). * Lists of income taxpayers are unavailable for Chile in these two periods. In the 1960s less than 10% were subject to pay it (Flores, 2011).
- Australia and New Zealand: Atkinson and Leigh (2007a,b) and Reinhardt and Steel (2006). Note that the higher top rate for Australia is due to the war effort. It fell disproportionately on the very rich. For instance, while an Australian belonging to the richest 1% would pay on average 11% on income taxes by 1921, the actual top marginal rate was 45% and it accrued to very few wealthy people (Leigh, 2013, 74-5).
- Scandinavia: Roine and Waldenström (2010); Atkinson and Sjøgaard (2013). The Danish top rate for the early 1900s corresponds to the end of the First World War. Norway is a more difficult case due to the fact that municipal taxation rates varied up to the 1970s. In 1911 the central state imposed a maximum 10% (Borge and Rattsø, 1997) which is given in the table. The figure for 1950 is for the 1970s when all municipalities began charging the same top marginal rate and is added to the central state tax rates (Office of Tax Policy Research, 2015). Norwegian coverage is for 1903 and 1950 for central state taxation, and correspond to tax returns (of those paying taxes) divided by tax units (Aaberge and Atkinson, 2010).

early introduction of comprehensive income taxes that bore on rich and poor alike. If not the income tax, did Southern Cone countries fund redistribution through regressive consumption taxes? Figure 5.4 tracks the evolution of taxes on sales and foreign commerce (both imports and exports) as a percentage of total revenue. Indirect taxes¹¹ are significant in the three regions. Australasia and the Southern Cone relied on taxation of consumption through protection schemes that raised tariffs to imported goods and, in the case of the Southern Cone, taxation of exports such as wheat, meat, and minerals. This hit both the rich that consumed luxury imported goods and the poor that

¹¹Indirect taxes are invisible to agents as they are not paid directly and consciously as part of their assessed income but indirectly through consumption (cf. Atkinson and Stiglitz, 1976).

would find access to mass consumer goods more expensive. The figure shows that after the 1940s Australia and New Zealand dropped sales taxes and tariffs in favour of progressive income taxes. The main component of indirect taxation comes from export of primary products that bore on capital and landowners in the Southern Cone. The Uruguayan figure hits a low in 1940 when meat exports collapse as a result of the beginning of the Second World War, the remaining 7 to 8% corresponds to the traditional yield of sales taxes for the whole period. After the 1970s the VAT, which organised and replaced a number of sales taxes in the Southern Cone, has contributed significantly to state funds.¹² Up until the 1970s, regressive sales taxes were not the main yield for the Southern Cone states. From both figures, Scandinavians have relied heavily on both progressive income taxes with a wide base and regressive sales taxes (Steinmo, 1993; Kato, 2003).

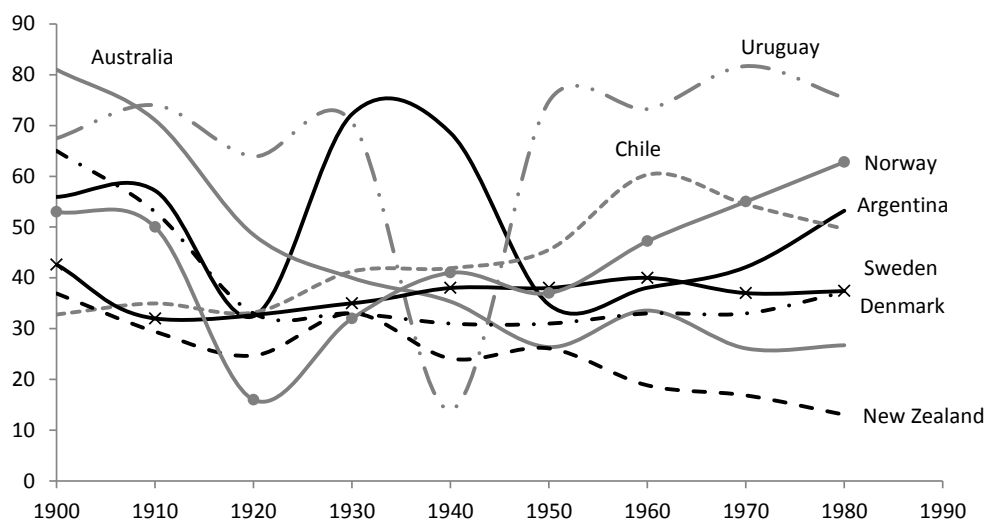


Figure 5.4: Sales taxes and tariffs as percentage of total state revenue.

- Sources: Calculated from Véganzonès and Winograd (1997); Díaz et al. (2010); Universidad de la República (2014); Azar and Fleitas (2012); Palgrave Macmillan Ltd (2013); Flora et al. (1987).

¹²The brunt of their high indirect taxes was provided by tariffs up to the 1970s in a conscious effort to boost domestic industries. But as these revenues started to decline in the late 1970s they were replaced by regressive taxes on consumption with different levels of success (Bird and Gendron, 2007; Harberger, 1989).

Ambiguity over taxation in the Southern Cone is reflected in public opinion. Early in the century, socialists had denounced tariffs and sales taxes as they hit their working class and urban bases; taxes on imported Argentinian meat were behind food riots in Valparaiso and Santiago (Sánchez Román, 2012; Alexander, 2005; Zubillaga and Balbis, 1992; Albert, 1988). But as the century wore on, taxes became a less contentious political issue. As income taxes affected the rich, the invisible, indirect taxes on consumption were less likely to stir public opinion. Taxes targeted foreign capital and exporters' interests (Remmer, 1976). There were no popular fiscal protests partly because taxation to the poor was almost negligible or was masked in tariffs. This contrasts with the salience of taxation in Antipodean and Scandinavian politics which has led to the emergence of anti-tax movements and parties. But if domestic taxes define a progressive and indirect taxes a regressive system, then up to the 1940s there is little to separate the three regions. Taxation was no more regressive in the Southern Cone than in the other two regions during the first half of the century.¹³

5.3.2 Bargaining the income tax: who pays the bill?

While spending within a comparable range, the non-regressive system of taxation of the Southern Cone could not sustain redistribution in the long-run. A mix of regressive and progressive taxes in Australasia and Scandinavia sustained progressive long-term outcomes. Taxation was clearly less likely to protect the interests of the economic elites in the Southern Cone than the more progressive but wider based systems of Australasia and Scandinavia. The image of a coercive state that extracts from the poor to protect narrow material interests of the elite does not explain the distributional consequences of taxation in the Southern Cone. How is it possible that top-down progressive reforms

¹³Steinmo (1993) found that the taxation system in the US was more progressive than the Swedish up to the 1990s thus defying common and theoretical expectations that Social Democratic parties would drain the rich in order to fund welfare. The same paradox holds when comparing Scandinavian and Australasian systems: the latter were far more progressive than the former during this period (Gilbert, 1943; Reinhardt and Steel, 2006; Davidson, 1989).

failed to impact distributional outcomes in the long-run? This section looks into the bottom-up conditions that explain the rationality behind taxation systems, which resulted from complex bargaining. These conditions explain why the taxation systems of Australasia and Scandinavia received cooperation from relevant actors in the long-run, providing stable resources to welfare expansion, in contrast to the Southern Cone.¹⁴

Scholars argue that a wide tax base improves cooperation as shared duties lead to mutual trust among taxpayers.¹⁵ Perceiving that others pay increases the likelihood that one will comply. Free-riding from tax obligations becomes less likely as the general expectation that most people will pay creates an informal commitment to share in the common burden.¹⁶ Taxation, the argument goes, creates solidarity and shapes a national identity. Lieberman (2003) distinguishes *adversarial* from *cooperative* tax states: a cooperative tax state is one where elites voluntarily comply with the taxes levied by the state by building cooperative and trusting relations. For a cooperative tax state it will be easier to raise revenue for shared social objectives. Adversarial tax states, in contrast, result from fragmented elites that actively oppose taxation.¹⁷

The distinction is relevant to test whether Southern Cone states could get the public to cooperate with their light systems of taxation. But there are two points worth noticing before going into historical detail. The first, elite compliance is not the only predictor

¹⁴Taxes not only provide resources for redistribution but have an important effect over growth and stability. According to Iversen (2006, 39), post-war welfare states implemented “tax policies (that) rewarded investment and punished consumption” to promote growth. The implementation of sales taxes and tax deductions on capital depreciation or non-distributed utilities were certainly regressive but provided revenue to expanding welfare states.

¹⁵For general reviews on taxation and the construction of shared social responsibilities see Campbell (1993); Tilly (2006); Martin et al. (2009); on the link between shared responsibilities and compliance see Levi (1988); Lederman (2003). But see Eusepi (2006) on how states create a fiscal illusion through invisible taxation in order to increase welfare spending without risking their legitimacy.

¹⁶Bergman (2009) shows how the Chilean tax system elicits compliance because taxpayers trust both fellow taxpayers to pay and the capability of tax authorities to punish evaders in contrast to the less trustworthy Argentinian system.

¹⁷Lieberman (2003) compares the taxation systems of South Africa and Brazil, concluding that the former has been more successful in raising revenue as it organised on ethnic terms. In South Africa the white elite created an extensive taxation system to support their own. Once apartheid collapsed, the system served to expand taxation and welfare to the erstwhile excluded black communities. In contrast, the lack of an ethnic national identity together with geographical divisions hindered the taxation system of Brazil.

of tax revenue. Adversarial tax states can also establish strategic but cooperative links with few key players (i.e. big corporations) in order to maximise revenue. States in this way can negotiate with relevant agents thus breaking the collective capacities of wider organisations that are bypassed by strategic players. To be sure, such form of cooperation will be more unstable as alliances between state-makers and key players shift. The real difference is that cooperative tax states universalise obligations to fund the state throughout the population even if at first they seek compliance from cohesive elites. Cooperative tax states can enjoy long-term funding as obligations are deemed fair, most people comply, and self interest is protected. Adversarial states, on the other hand, need to negotiate and strike bargains periodically and switch alliances between key economic actors. The second point is that, as Lieberman's (2003) research shows, a cooperative tax state depends crucially on a shared identity: more than just elites, whole populations have to buy into a shared narrative of common obligations and duties.¹⁸

Two collective action problems need to be solved to achieve bottom-up cooperation. The first is the geographical fairness of tax obligations. More than the organised power of the urban working classes, research shows that power parity led to a more equal system of taxation: rural parties were instrumental for equalising taxation between city and countryside and sharing welfare spending accordingly (Baldwin, 1999; Gilbert, 1943).¹⁹ Sharing tax obligations between urban and rural economies would increase the number of potential taxpayers thus helping to stabilise state revenue. The second problem concerns the long-run commitment with tax policy and redistribution. The constant effect of tax policies requires stable cooperation with taxes. Adversarial tax states for instance, could boost funding and spending for brief periods of time in an attempt to gain the strategic support of key players, but their outcomes would of neces-

¹⁸In addition, receiving social insurance could aid cooperation given a shared sense that everyone is contributing.

¹⁹Extended taxation might have helped to monetize labour relations in the countryside in Australasia and Scandinavia. In-kind payments and loose reciprocal obligations were prevalent in the Southern Cone countryside well into the 20th century. As Ebner (2006, 51) contends, "tax brings a monetary economy and calculating spirit in corners where they do not yet dwell".

sity be short-lived. The real difference between the tax systems of the three regions is that Australasia and Scandinavia overcame these two problems more successfully than the Southern Cone.

At the start of the 20th century, the virtual absence of domestic taxes and preference for loans and taxes on foreign commerce characterised Southern Cone taxation.²⁰ Both rich and poor benefited from low taxation. Efforts to expand tax obligations and provide the state with stable means of funding were met with considerable political opposition. Administrations willing to stir away from domestic conflict and avoid political bargaining would in time use a variety of means to extract resources to fund social policy, but these were unstable such as inflation, foreign commerce, and currency exchange controls and bypassed public discussion in parliaments. Only Argentina and Chile enacted income taxes during this time in an effort to provide the state with more stable revenue but were careful to avoid increasing the tax-base to urban wage earners. Initially, elites proved cooperative and willing to tax themselves in the first half of the century, but these systems did not solve temporal and geographical imbalances. Uruguay had a brief experience of income taxation in the 1960s but the income tax was repealed in 1974. For most of the 20th century it preferred taxes on the presumptive rents of rural producers and a corporate tax (both at a 30% rate in the 1970s) (Harberger, 1989). Hence, Uruguay is largely absent from this section.

In Argentina, customs provided over 60 percent of federal revenues at the start of the century. Provinces had, in principle, the right to tax domestic sources of wealth and consumption, but this prerogative was used lightly. As the federal state had centralised the provision of public goods, such as education, taxation became more centralised over

²⁰Uruguay enacted consumption taxes on alcohol with the objective to curb alcoholism. But the main exception was Chile which in the 19th century had enacted income, land, and wealth taxes on its elites in order to face an economic crisis in the 1860s. The expansion to the nitrate-rich north after the War of the Pacific (1879-1883) led Congress to repeal domestic taxation in favour of taxes on nitrate exports (Sater, 1976; Gallo, 2008; Sicotte et al., 2008).

time. The Baring crisis, a financial crash in 1891, along with the concomitant reduction of imports, forced the federal government to centralise domestic tax collections in return for direct subsidies to the provinces. With this revenue sharing agreement, the provinces lost power but also fiscal discipline as the central state allocated resources (Cortés Conde, 2006). The First World War debilitated international trade but Argentinian state makers deemed it a transitional period. The political and economic crisis of the 1920s and early 1930s exposed the risks of depending on customs duties to finance the state. In a period strongly associated with powerful landed and oligarchic interests, Congress and the federal government enacted laws targeting these very sources of wealth. In the 1920s an export tax was introduced on the value of exported meat. As this tax was not part of the revenue sharing scheme it was easier to target landowners and pass it as a legitimate tool (Sánchez Román, 2012).

Taxation in Argentina could have evolved along the lines of the more stable platform of Australasia and Scandinavia through the introduction and later expansion of the income tax. As Sánchez Román (2009, 2012) notes, the bill had been discussed since 1918 when it was first presented by the Radical government of Yrigoyen. It contemplated a flat corporation tax and a progressive income tax starting at high salaries in order to protect the wages of the working class. From socialists to conservatives the tax had a wide backing. By targeting income, it was thought to protect capital for investment and production. Business and economic elites conditioned their support on improved economic policy and protection; the wealthy land-owners did not actively oppose the bill as they saw it as a cheap solution to social unrest. The first bill was ultimately defeated in 1924 by the interests of the provincial and regional policy-makers of the interior regions: they opposed the measure to prevent the further centralisation of power by the Federal government (Sánchez Román, 2009, 2012). As a result, the federal government relied on export taxes and “special laws” that allowed the president to increase spending (and therefore revenue) without consulting Congress (Sánchez Román, 2012, 23).

Failure to enact the income tax undermined cooperation with the state and prolonged geographical imbalances.

After protracted bargaining (cf. Dosman, 2010, 50), the income tax bill passed under a conservative and military-backed government in 1932. Given the turbulences of international trade, it soon became the major source of income for the state. From its introduction in 1933 where it contributed 8% of central government income it reached 25% in 1952 (Oszlak, 1970, 5), to decline afterwards up to this day. Like the income tax in Australia and Chile, it separated tax payers according to the source of their income: by schedules of rural incomes, capital assets, commercial and industrial incomes, wages and salaries to which it applied a flat tax. Salaried and wage earners received a special treatment as there was widespread socialist and urban opposition to taxes on wages (Sánchez Román, 2012, 51).²¹

According to Sánchez Román (2012), the fact that the income tax had been imposed by non democratic governments undermined its legitimacy, and the preference of the subsequent Perón government for other sources of income condemned it to decline over time. There was considerable election rigging during the 1930s (Cantu and Saiegh, 2011). But the fact that elites cooperated with the tax, although it targeted their wealth, means that legitimacy was not the only consideration. Elites cooperated while they saw a government moulded in their ideas that would protect their interests. Legitimacy and cooperation declined afterwards and only after Perón opted for short-term sources of funding. The vice of origin is not the only explanation for the perception of its illegitimacy: only the rich paid it and it was invisible to the eyes of most wage earners.

²¹A progressive surtax started above 25,000 pesos for each category; even if it was introduced to pay foreign debt it was thought to improve fairness. The progressive rates meant that the wealthiest of the wealthiest paid most of the tax. In 1934 the lowest bracket contributed 11% of tax collections while the richest bracket 15%. By 1943, the richest bracket provided 38% of collections (Sánchez Román, 2012, 58-9). In a short period of time, from 1932 to 1943 the income tax had become a progressive tool for redistribution and received the cooperation of the elites. The top 0.8% of taxpayers contributed 38% of tax collections while salaried and wage-earners only contributed 14% by 1943. Land and capital schedules paid 86% of all income taxes that year (Sánchez Román, 2012, 60).

In comparison, the centralisation of the income tax in Scandinavia was carried out by technocratic bureaucracies which were not thoroughly democratic (cf. Steinmo, 2010, 1993), and in Chile it was also enacted by a military backed administration: in both settings elites cooperated with income taxes.

Perón favoured short-term sources of funding that ultimately made the state depend on the competitiveness of the agricultural and pastoral sectors.²² True, Perón increased the top marginal rate of the income tax from 22 to 40%, the corporation tax from 10 to 24% and introduced a capital gains tax in 1946 (Sánchez Román, 2012, 87). But he did not use income taxation to fund social programmes nor to create cross class solidarity. His stance was tough on rural incomes and actively sought to exempt urban areas from paying their share. Other sources of income became increasingly important for the state. The export tax was reformed: the state monopolised exports and manipulated exchange rates paying a lower rate to exporters than to foreign buyers, hence getting a cut (Cortés Conde, 2006, 223-9). Perón discounted the future by seeking quick sources of state revenue and in doing so deepened collective action problems that reflected in rural-urban inequality and long-term aversion to domestic taxes. Direct taxation declined since the times of Perón and the gap between expenditures and revenues was covered by taxes on commerce just like in the past (Treber, 1969, 575).

Tariff protection, and social insurance would reflect strategic selective associations between government and key social actors. Urban middle classes would benefit from social spending, rural areas and the informal sector would lose out. Low taxation of urban enterprises and income allowed Argentinian governments to avoid conflict and lengthy discussions over fiscal sources. Since that brief period where the income tax gained prominence, Argentine revenue has depended on economic cycles, inflation, loans, and invisible taxes (Cetrángolo and Gómez Sabaini, 2010, 104).²³ By not solv-

²²The need for funds was dire: public expenditures increased from 20% of GDP in 1945 to over 30% in 1955 (Cortés Conde, 2006, 229)

²³Sánchez Román (2012, 6) notes that “when Argentinians began to distrust their state; to think that the

ing collective action problems that entailed bargaining, protection of wide economic interests, income taxation failed to promote cooperation and solidarity in the long-run.

Chile differed from Argentina in that its agricultural sector was less competitive and rural interests were better organised: rural incomes would not fund the state. This did not mean that urban sectors paid towards the expansion of social insurance. Instead of agricultural exports, Chile relied on the lucrative mining sector – nitrates from the late 19th century and copper from the 1930s. Like Argentina, income taxation would be confined to a small minority while the state targeted other sources of income and avoided taxing the population directly.

Reliance on mining and foreign loans reduced the necessity of domestic taxation, either progressive or regressive.²⁴ Policy makers wanted to boost labour incomes in order to reduce distributional conflict and, like Argentina, these were exempted. Economic risk triggered by the First World War and decreasing demand for nitrates increased the pressure on Congress to enact domestic taxes. The first bill was proposed by a right-wing liberal government in 1919 inspired by French reforms (Marshall, 1939). The bill contemplated a flat tax divided by schedules but the issue of a progressive surtax was deemed unconstitutional as it deviated from the principle of equality before the law. In 1924 the flat tax to income schedules was implemented and divided by income source: a tax on landed property income, property values, capital assets, industry and commerce, mining, wages (public and private), and an additional tax on wages of liberal professions (a tax on university graduates). A progressive surtax was only implemented

government was favouring some groups or social classes over others; to believe that the money they paid in taxes was wasted through corruption or graft; to consider that their fiscal treatment was unfair (...) the virtuous circle of trust that kept together the tax regime started to crumble". This problem persists to this day (Lewis and Mitchell, 2008).

²⁴Triggered by an economic crisis but precipitated by the War of the Pacific, Chilean elites would tax themselves in the 19th century. In 1866 Congress passed a flat tax of 5% on all incomes but it was never implemented. A flat tax of 0.2% was implemented in 1879 on large incomes, capital, and inheritances. But the successful outcome of the war and the taxation of nitrate deposits motivated Congress to repeal all taxes on domestic incomes under the Liberal administration of Balmaceda (Sater, 1976; Sicotte et al., 2008).

in 1925 after a cabinet crisis resulted in a new civil administration supported by the armed forces (*decree law of 1925*) (Marshall, 1939). As in Argentina, the income tax exempted small property owners and wage earners. It targeted top incomes and the marginal rates were increased over time.

The tax failed to create a shared sense of common obligations. Part of the problem is timing. After the enactment of the income tax, the 1930 crisis kicked in and it proved impossible to broaden the tax base among wage earners. The crisis made Chile default on its foreign debt.²⁵ The state, just like Argentina, turned its attention to sources of revenue that did not require broad cooperation: exchange controls, inflation, and higher tariffs to protect local industries. While not a regressive mix, the state associated selectively with industries that sought protection and offered higher wages to potential government supporters. This created multiple loopholes in income taxation: not all industries received the same protection. So “while taxes and progressivity were increasing on average, tax exemptions were increasing as well, thus encouraging evasion practices and complexity in the tax system”, and this was not helped by the fact that since 1925, Congress approved spending before approving the budget, hence motivating politicians to boost expenditures among their supporters (Arellano and Marfán, 1989, 301).²⁶

To reduce social tension at home and the turbulent economic conditions abroad, the Chilean state avoided domestic taxation resorting instead to natural resources, inflation, and protectionism. The geographical imbalance was less serious than in Argentina as rural producers paid little taxes: but as expenditures were targeted to urban supporters inequalities prevailed between urban and rural areas. Mining revenues were directed to

²⁵Copper had replaced nitrates as the main yield for the Chilean state, but the international crisis hit copper production as well. Production suffered a 40% decline between 1930 and 1935, and the share of mining in fiscal revenues went down to 10% (Cortés Conde, 2006, 225)

²⁶Davis (1963, 393) explained the resulting inflation as the outcome of the right not wanting more taxes and the organised left not wanting a decrease of social spending on civil servants and organised workers – their main supporters.

urban centres; when copper prices recovered social expenditures became more stable and accrued to the formal urban sector. The state did not widen the tax base to include wage earners in the bargain; with increasing inflation, wages suffered, and income taxation failed to create solidarity among taxpayers.

Uruguayan taxes are a good example of restricted solidarity.²⁷ Although Uruguay had relied on taxes on property and landed wealth in the 19th century, its main yields derived from foreign commerce and exports, and taxes offered little incentive to invest in the countryside (Finch, 1981, 113-116). The three Southern Cone countries fall into the description offered by Long and Roberts (1994, 334) on Latin American taxation: “export agriculture was taxed to finance urban and industrial expansion” and together with price controls for non-export agriculture on food staples to benefit urban workers led to underinvestment in agricultural production. Large landholders, could spread economic risk by renting out land and investing on more lucrative protected urban industries²⁸ (Carrière, 1981; Adelman, 2001; Hora, 2001). There was nothing irrational or backward in the economic decisions of large landowners, but underinvestment on the countryside heightened the problems of itinerary work and internal migration thus deepening inequalities between the two areas. As well as failing to provide geographical justice, lack of income taxation led to the exploitation of short-term sources of revenue by the state without creating solidarity from the bottom-up. Direct taxation declined during the 20th century, increasing evasion and corruption (Herschel, 1977).

Australia offers an interesting contrast as it was a federal state like Argentina, and like Southern Cone countries, taxation depended mainly on customs and imports (unlike Argentina, Australia would not tax exports). Further, there was a fierce bargaining

²⁷López-Alves (2001, 160-2) notes that the states in the River Plate could avoid taxation and subjugate the upper classes. Still they needed to buy *caudillos* and popular classes.

²⁸The emergence of large business groups in the period was also a form to spread out economic risk among small-export economies. They were particularly salient in Australia, Chile, and Sweden and to a lesser extent in Argentina – where they became an easy revenue target for state-makers since the 1940s (see Fracchia et al., 2010; Lefort, 2010; Högfeltdt, 2005; Colpan and Hikino, 2010).

between the central government and the states for the right to tax and spend.²⁹ With federation, customs and sales taxes were agreed to be levied by the federal government in return for a rebate (one fourth of the collections would support the federal state and three quarters would be divided among the states), but the states kept the right to collect taxes on income and property.³⁰ Despite the introduction of a federal income tax to support the war effort in 1915, taxes on imported mass consumer goods meant that the poor carried a disproportionate fiscal burden (Reinhardt and Steel, 2006, 4). And even in 1939, 42% of the federal government revenue derived from these regressive taxes.³¹

Despite relying on customs at the beginning of the 20th century, the Australian state created conditions for equality among urban and rural areas and became, in time, more resilient to economic cycles than its Southern Cone counterparts. To begin with, the federal government compensated the states for loss of income and this led to fiscal equalisation between them (Reinhardt and Steel, 2006, 7). But more importantly, the Two World Wars had an effect on the centralisation of direct taxes on the federal government and the widening of the tax-base. Although the federal income tax was levied as a direct response to the First World War, up to 1942 income taxes were levied at both state and federal levels, creating a fiscal imbalance between more prosperous and less prosperous states. From 1942 onwards the federal government increased the progressive rates of the income tax while the states surrendered their right to collect income taxes. The federal government compensated the states with federal grants for the loss of taxation power.

The income tax became the main source of revenue. At first, a high income threshold

²⁹However, as Robinson (2005, 28) notes, “there was not one uniform pattern of fiscal sociology across the states”.

³⁰In 1911 customs and excises contributed to 97% of the federal government revenue (Gilbert, 1943, 3).

³¹A contemporary researcher remarked that the “fact remains that four fifths of the total burden is sustained by taxes which are shifted in such a way as to become regressive in effect” which was surprising given the ascendancy of Labor. The federal state through sales taxes and protectionism had “effectually disguised (...)” taxes in such a way that “the goose submits to plucking with the minimum amount of squawking” (Gilbert, 1943, 29).

exempted most wage and salary earners – not unlike Argentina and Chile where the state tried to protect the consumption capacity of wage earners. The marginal rates ranged from 3 to 25 % and those at the top quintile accounted for a large proportion of the tax (Reinhardt and Steel, 2006, 14). The Second World War broadened the tax base to include most wage earners through a “pay as you go system” and by 1950 the top marginal rate was set to 75 percent. Up until the 1970s Australia would rely mainly on the progressive income tax together with customs and excises (in addition to payroll taxes levied at the state level).

The question on the power of the left to impose higher taxes on the rich by democratic means yields ambiguous results in Australia. Labor governments both at the state and federal levels had linked taxation to social goals, and in 1912 a federal land tax was introduced by the Fisher Labor government to break large landholdings (Robinson, 2005, 4-5).³² But tax reform had to pass with the consent of strong Conservative legislative councils and rural influence. Free traders and landholders consented to income taxation as a pragmatic response to fiscal deficit and the wars: they consented to progressive rates in return for a wide tax-base (Robinson, 2005, 7). The position of Labor in Australia was not too different to that of socialists in the Southern Cone and Scandinavia: they defended steep progressive taxation of wealth and the exclusion of all wage earners from taxation.³³ Labor policies were balanced by conservative and rural opposition and hence, the fiscal burden was shared by the population at large and among rural and urban areas (Mendelsohn, 1954).

Unlike Australia, New Zealand was a centralised state and introduced income and land taxation earlier. Although there was a strong “single tax” movement that favoured the

³²But even before the time of Labor politics, taxation as a tool to increase revenue had been closely associated with the radical-liberal tradition of the 19th century.

³³However, excluding most wage earners from domestic taxation left the problem of debt unresolved: “the ultra rich are a small minority and very high tax rates on them will not raise much revenue. Such taxes are a form of political symbolism however that may play well to a populist audience” (Robinson, 2005, 18).

progressive taxation of non-earned wealth and the subdivision of land,³⁴ the income tax was a direct response to the grave economic slump of the 1890s. In 1891 the income and land tax would contribute to 20% of the revenue; in the early 1900s tariffs were revised and some mass consumer goods liberated (Gilbert, 1943, 78). Despite introducing a progressive income tax, the tax structure remained as regressive as that of Australia.³⁵ But like Australia, New Zealand experienced a similar trend towards increased progressive rates and a broader tax-base. The surtax and top marginal rate, increased from 10 to 30% from 1930 to 1931 and income thresholds were lowered. Income taxes were payable by almost all income earners (Mendelsohn, 1954, 178). And these two factors continued during the Second World War: the income tax became a “mass tax” – while only about 9 % of adults filled a tax return in 1924, today that figure is close to a 100 (Atkinson and Leigh, 2007b, 338). Progressive taxation and a broad tax-base allowed New Zealand to gain cooperation from rural as well as urban taxpayers and provide the state with a stable base for welfare.³⁶

Unlike Australasia and the Southern Cone, Denmark never relied on customs and tariffs and boasted a free-trade tradition dating back to the 19th century. A brief exception occurred in the 1930s as Denmark introduced exchange controls to pay a heavy foreign debt to both Britain and Germany (see Rogers, 2013). Tax reform followed the trend towards progressivism and a larger tax-base just like the other Scandinavian and Australasian nations. In this way, the Danish government addressed regional disparities while providing the state with stable sources of revenue.

The income tax was reformed in 1903 and the resulting tax code remained the core of

³⁴In fact, the introduction of income taxation put an end to the property taxes that the single tax movement defended. As land was divided, rural interests became increasingly opposed to egalitarian Liberal and Labour legislation (Rogers, 1954; Castles, 1985).

³⁵In fact, by 1933 indirect taxes amounted to 70% of state revenues while the graduated income tax only to 30% (Gilbert, 1943, 99-100).

³⁶Accordingly, Atkinson and Leigh (2007b, 351) conclude that taxation might have reduced inequality as top marginal rates increased from 25% to 65% from the 1930s to the 1940s. But the trend continued after the top marginal rate peaked. In contrast, the top marginal rate was halved from 66% to 33% between 1985 and 1989, hence increasing concentration.

the tax system up to the 1960s (Atkinson and Sjøgaard, 2013). Before then, and as in Australasia, local governments had the right to collect income and property taxes thus competing with central state taxation. As rural activities bore so heavily on the Danish economy, income taxation became a contentious issue. Local taxation meant that rural incomes paid proportionally more towards welfare than urban areas with richer municipalities. With tax reform, farmers mobilised successfully through the Liberal party to counter the Social Democratic push for more taxation and spending in urban, working-class, areas (Baldwin, 1999; Andersson, 1994). Farmers supported policies that gave the central state the right to raise and distribute revenue while limiting local taxation. Small localities and rural areas received subsidies from the central state which contributed to fiscal equality across the country (Andersson, 1994, 246-7). With the centralisation of income taxation, rates became increasingly progressive and linked to social policy. The tax code became complex: it featured many tax brackets, some even applying to one single taxpayer.³⁷ But the cost of progressivism was a wider tax base to boost state incomes and promote wide compliance: while 74% of the Danish population was exempted from the income tax in 1903, only 33% were exempted between 1917 and 1937 (Atkinson and Sjøgaard, 2013).

Conflict over regional justice and a wide tax-base also marked Norwegian and Swedish taxation as well. Migration of young workers to urban areas meant that rural municipalities lost taxable income to provide local relief. In Norway, customs provided most of the state revenue up to the outbreak of the First World War. But the trend towards progressive income taxation had started earlier. The income tax was enacted with a sweeping reform of the taxation system in 1892 (Gerdrup, 1998). Municipalities retained the power to levy a proportional income tax while the central state charged a progressive income tax.³⁸ The central state compensated regional governments to achieve fiscal

³⁷The top marginal rate reached 28.1% in 1925 for incomes above one million krone, in fact applying to just one taxpayer (Atkinson and Sjøgaard, 2013).

³⁸In the 1950s, the proportional municipal tax was charged at a flat 17% rate while the marginal tax rate of the central income tax ranged between 10 and 60% (Soltow, 1965, 121). The system was not wholly

equality across the country.

Much of the push towards a more progressive income tax, and in time a wider tax-base, came from the economic turbulences before the First and the destruction of the Second World Wars. A fall in custom duties triggered the 1892 reform, and in 1911 the tax code was once again reformed: a discretionary assessment of income by the central state was replaced by the tax return which was based on mutual trust between the state and the taxpayer, thus gaining more legitimacy and boosting compliance (Gerdrup, 1998, 33-4). The Second World war, which devastated the country, together with the victory of the Labour Party led to increased taxation but with the consent of all classes: according to Soltow (1965, 137) a wider tax base was deemed fair as everyone bore the cost and “none (was) unduly hurt”. Through fiscal equality between regions and a wider base, Norway addressed permanently the problems of compliance and long-term funding.

Sweden also faced the fiscal problems common to agrarian economies at the beginning of the 20th century. Like its Scandinavian neighbours and the Antipodes, it would boost cooperation with top-down reform through mass inclusion into the tax system, progressivism, and regional equality. The problem of fiscal equality came to the fore of the public discussion. The farmers’ parties, like in Denmark and Australasia, resented local taxes to provide for local expenditures as this created inequality between rich and poor regions (Andersson, 1994). Economic elites were more likely to consent to taxes as everyone had to pay.

The income tax was introduced in 1902 at progressive rates – but with deductions for interests payments and family costs. Progressive taxation in 1904 revealed geographical inequalities as both central and local taxes increased. According to Edebalk and Ols-son (2010, 395) “a rough estimate indicates that while the top quartile of the parishes progressive as Norway, like the other Scandinavian countries, relied on sales taxes which were introduced in 1935.

in Sweden in 1909 had a tax rate of more than 10 percent, the bottom quartile taxed less than 5 percent of the parishioners incomes". Like Norway, the central income tax coexisted with local taxation. The push for more social spending to compensate for economic risk meant that poor municipalities had to bear a disproportionate cost of increased expenditures, and by the late 1920s "the average taxpayer in the countryside (...) found that he paid five times as much in municipal income tax as in state income tax. The concomitant figure was only twice as high in urban areas" (Andersson, 1994, 234-5). It was precisely in the 1920s when this imbalance reached a critical point. A brief Liberal and Social Democrat coalition pushed for greater social spending on education and poor relief without providing funds for local governments in charge of their implementation (Andersson, 1994, 234). Municipalities then were forced to increase local taxation to meet a national standard.

Liberals and Social Democrats broke on this issue (Baldwin, 1999; Andersson, 1994).³⁹ A Farmers' league created in the 1920s together with Conservatives and Liberals enacted legislation to avoid competition between central and local taxation. The struggle led to defeats of three governments until in 1930 an agrarian and Social-Democratic alliance equalised the burden (Esping-Andersen, 1991). Centralisation of income taxation became the solution: in 1936 a Parliamentary Committee proposed the progression of central income taxes and central government grants to achieve equalisation between urban and rural areas. By 1938 progressive rates were used to achieve redistribution in central taxation but abandoned in local taxation (Andersson, 1994, 237). As a result, expenditures could increase in the same amount in both urban and rural areas.

Sweden as well as Australasia and the rest of Scandinavia gave a more stable solution to the collective action problems involved in taxation: they achieved compliance by

³⁹Liberals supported rural areas. An earlier Liberal government had tried to introduce an equalisation grant in 1912 without success: urban representatives defeated it as they argued that social justice had precedence over geographical justice. A provisional equalisation grant was passed in 1917 (Andersson, 1994, 239-41).

increasing the tax-base and equalising the burden between urban and rural areas. Cooperation with a mass tax, such as the income tax, became crucial to fund social policy, either of a universal or targeted kind, in the future.⁴⁰ Sharing a common burden among the population provided the tax with a sense of fairness which meant that top-down coercion could give way to bottom-up cooperation and mutual trust between state and taxpayer (cf. Moore, 2008). In the Southern Cone instead, inequalities persisted between urban and rural areas and among taxpayers as the majority of wage-earners were exempted. Calls for further social spending were met with more unstable sources of funding: increased protectionism, inflation, price controls, and tariffs on natural resources.

5.3.3 Inflation: the price of domestic conflict

Taxation of income in Australasia and Scandinavia evolved to accommodate the principle of progression with a wide tax-base – including the middle and working salaried classes into the bargain. This experience of shared obligations failed to materialise in the Southern Cone. Income taxation targeted the very top of the income distribution and in time lost the cooperation of the elites, particularly in Argentina. So while income taxation and the taxation of exports gave an image of fairness, the state had to rely on more invisible ways to fund itself. Indirect taxes on consumption, easy to monitor, expanded particularly after the 1960s. Increased expenditures without a fiscal contract led to inflation. By not taxing society, the Southern Cone avoided a potential source of conflict while instilling the idea that the rich and foreign capital were failing to contribute their fair share.

Figure 5.5 shows the evolution of consumer prices over time, before the age of hyper-

⁴⁰Tax policy in fact was less concerned with redistribution than improving efficiency. Swedish business benefited, since 1938, from provisions in the tax code that allowed them to deduce taxes by placing their profits in the Central Bank (Högfeldt, 2005, 541). With this policy the Swedish state gained resources to expand the public sector and equalise incomes across the country.

inflation in the late 1960s and 1970s when inflation remains above three digits annually in the Southern Cone. (True, inflation increased in Australasia and Scandinavia in the 1970s and 1980s, as states got increasingly into debt, but the magnitudes of the Southern Cone are on a league of their own.) Inflation was not just a problem of monetary policy as some economists contend (e.g. Dornbusch and Edwards, 1991). It ultimately reflected the fact that the Southern Cone failed to build cross-class agreements that would have taxed the middle and formal working classes.⁴¹ The “inflation tax” became a source of revenue with mixed effects over the distribution of income. Inflation is a traditional short-term tool for redistribution as it writes off the debts of governments and borrowers.⁴²

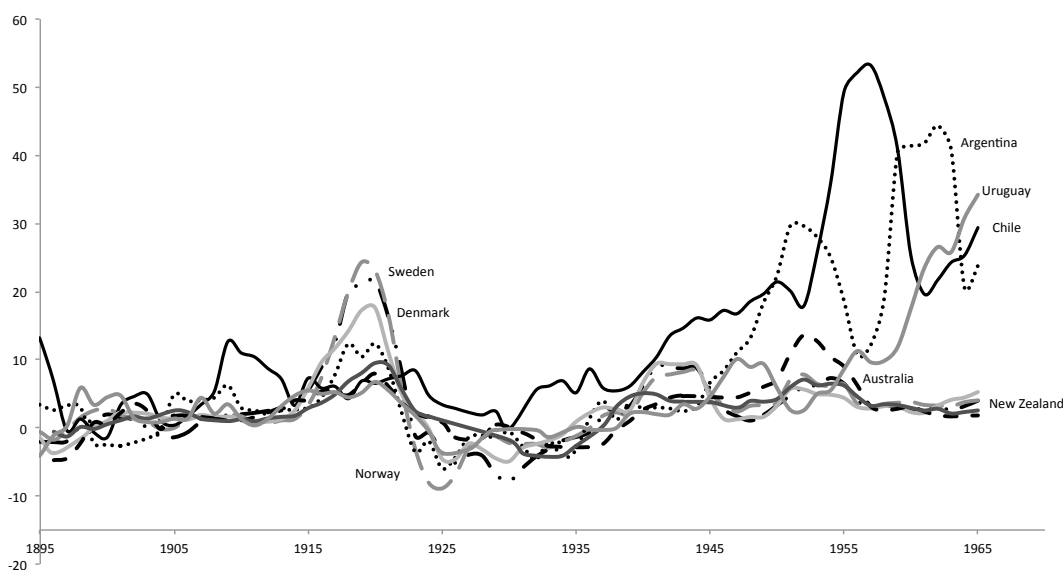


Figure 5.5: Percentage change in consumer prices (five-year moving average)

● Sources: van Zanden (2015), and Tanzi and Schuknecht (2000); Thorp (1998).

⁴¹Inflation and a complex tax system topped the list of problems among entrepreneurs in Córdoba, Argentina, in the 1960s. Diminishing tax evasion and increasing direct taxes were suggested by the same entrepreneurs as solutions to state finance (Resk, 1969). Failure to create a mass tax system might explain Argentina’s instability and difficulties to protect property rights. As the system did not tax the poor, it did not redistribute to the poor in a stable way; as it did not tax the rich it did not protect property rights (cf. Timmons, 2005). But this does not explain Uruguay or Chile.

⁴²Tanzi and Schuknecht (2000, 82) have argued that inflation hits the poor as their main income is in cash and cash loses value, but inflation decreases inequality as it affects the assets of the rich Smithin (1996). Hence, anti-inflation policy, particularly in the 1980s, was dubbed the “revenge of the rentier” as capital and savings were protected against devaluation though inflation (Smithin, 1996).

Lacking domestic taxation, inflation in the Southern Cone deepened a time consistency problem: it resulted in part from the absence of a stable framework to pursue redistribution through higher taxes and spending. Paradoxically, while insisting on economic autonomy and industrial protection, Southern Cone governments became increasingly dependent on the export of agricultural and mineral produce. A wider tax base, a mix of regressive and progressive taxes, and increased revenue helped Australasia and Scandinavia save income to provide for long-term redistributive policies. Savings shielded spending from international trade (Iversen and Stephens, 2008; Soltow, 1965; Steinmo, 1993). Southern Cone taxation complemented a policy of high wages (see chapter 3) and created an environment that favoured the consumption of the working classes over longer term investment and stable redistribution.

Inflation nevertheless has a direct effect in reducing inequality, albeit artificial as it does not change the structure of inequality through more human capital among the poor for instance. The periods of higher inflation in the Southern Cone coincided with the lowest ever recorded household Gini coefficients. In Argentina for instance, the number of tax payers increased between 1956 and 1965 as more people qualified to pay taxes given inflation: they were pushed up the income brackets as prices increased faster than tax legislation.⁴³ These developments are not confined to the Southern Cone alone. Increased inflation in Australia during the 1970s broke cooperation with the tax (see Levi, 1988) but led briefly to a more equal distribution of earnings. According to Lee (1978, 47) high inflation along with progressive taxation meant that the progressivism of the income tax increases:⁴⁴ as taxpayers were pushed up into higher tax brackets, the Gini coefficient declined 3% between 1969 and 1970, and 9% between 1974 and 1975.⁴⁵

⁴³Inflation led to tax evasion. The coefficient of income tax evasion peaked 64% in 1959 when inflation was at 114% (Oszlak, 1970, 24).

⁴⁴By 1955 income taxation in Australia was the main source of state revenue: the income tax provided 39% and corporate taxes 18% of state revenues. But by 1976 these were respectively 56 and 14% (Lee, 1978, 16).

⁴⁵Inflation in early 20th century Sweden was associated to a decline in wage inequality as well (Söder-

The Southern Cone exemplifies that states avoided taxing the economically weak, but exempted working and middle classes from taxation as well. Inflation reflected this short-termism and deepened time inconsistency.⁴⁶ With inflation, funding became unstable and deteriorated the existing taxation systems: people had an incentive to delay tax payments or evade taxation altogether. It artificially reduced inequality as taxpayers were pushed up income tax schedules, and punished monetary savings. Aside from the progressive or regressive effects of taxation, the deeper problem these states faced was extending taxation throughout society. Governments sought short-term gains by avoiding the thorny issue of gaining compliance with taxes.

5.4 Social spending: sharing benefits?

If not through taxation, could social spending promote cross-class solidarity and equality in the Southern Cone? If spending is progressive it can counteract regressive taxes and if enough interests are protected it can create incentives for people to cooperate and share the rewards of social insurance. Regardless the types of taxation then, a top-down model of progressive expenditures could still explain cross national variation in inequality. The capacity of socialist parties and strong unions to organise in Scandinavia and to a lesser extent in Australasia, and use the state for redistributive ends would explain the lion's share of their difference with Southern Cone outcomes.

Defining the scope of inclusion and the main providers of social insurance has shaped our current understanding of welfare state variation.⁴⁷ In addition to ideological and cultural variation, a key difference would be the role that socialists and unions played in both settings as they could build class solidarity between working and middle classes

berg, 1991).

⁴⁶This outcome is consistent with scholars who argue that inflation results from the polarisation of political and social institutions (Huppes, 1982; Krugman, 2013).

⁴⁷For instance, Esping-Andersen (1991) distinguished between Scandinavian social democratic and Australasian liberal welfare states: the former included universally into state social insurance, the latter targeted insurance to the poor leaving the middle classes to fend for themselves in the market.

through universal inclusion in the former cases: a guaranteed recipe for social equality. Yet, despite different strategies to achieve power and implement redistributive policies, the distributional trends of Australasia and Scandinavia converge up to the 1970s. Crucially, pensions and education, the type of policies that should have a bigger impact on individual capabilities, became universal in both settings.

Table 5.3 shows that all countries reformed social policy early on in the 20th century. Together with a tighter regulation of health conditions and working hours, social insurance became a tool to alleviate distributional conflict and give a longer-term sense of security to the working population. The timing of the introduction of social insurance is not surprising and follows that of many late industrialising countries (Pierson, 2004; Kuhnle and Sander, 2010). The three regions were reforming the same areas of social policy, which suggests that the old forms of insurance, drawn from charities and rural paternalism, would not work in the expanding urban settings. In small export economies itinerant and rural workers were the worst hit by economic and agricultural cycles. A widespread inclusion into these programs was required for social policy to become egalitarian: the question is whether social policy created conditions for welfare and human capital accumulation among the poor and itinerant workers.

One of the most important political battles was fought over pensions. Bismarkian programmes tied market income to old age retirement and could be manipulated to buy groups' loyalty (Abel and Lewis, 1993). In the context of agrarian and highly itinerant economies, separating market power from future insurance could make the difference. Pensions became one of those areas where Scandinavian and Australasian policies converged: they were granted almost universally and were funded by general taxation. Centralisation of provision helped the equalisation of pensions across these countries. The Australian Commonwealth constitution allowed the Federal state to replace state-level public pensions in 1908 and in 1942 took over the administration of most of social insurance (Mendelsohn, 1954, 1979). The Commonwealth pension supplemented the

Table 5.3: Year of first social insurance programs before 1950

	Sickness or maternity	Old age and invalidity pensions	Occupational hazards	Unemployment	Family allowance
Argentina	1934	1919	1915	1933/1945*	1945*
Chile	1924	1924	1916	1937	1937
Uruguay	(1958)	1919	1920	1944	1943
Australia	1912	1908	1900	1944	1941
New Zealand	1938	1898	1900	1930	1926
Denmark	1892	1891	1898	1907	(1952)
Norway	1909	1936	1894	1906	1946
Sweden	1891	1913	1901	1934	1947

- *Notes and sources:* * Argentina had no unemployment insurance but for certain trades or firms. Years correspond to severance payment (which only covered a few sectors and then expanded in 1945). It became centralised and covered most of the economy in 1991. Family allowances also covered certain branches of the economy and expanded in 1957, like most Southern Cone social insurance. See Kuhnle and Sander (2010); Usami (2004); Flora et al. (1987); Finch (1981); Galiani and Gerchunoff (2003).

living wage and avoided means-testing, thus making it almost universal. New Zealand could enact similar reforms faster as it was more centralised than Australia. A non-contributory pension was enacted in 1892, being in principle means (and character⁴⁸) tested and including most of the itinerant and the poor. It was a conscious attempt to put social security on the footing of welfare rather than charity. The 1938 Social Security Act gave the state more powers to administer social services and provide income security, and this resulted in expanded coverage. In principle, like Australia, most of the rich were excluded while the poor included, protecting from risks on an individual basis. Despite targeting the poor, security became universal for family allowances

⁴⁸ Australasian legislation had historically stressed self-reliance and the role of the family in providing welfare, lending support to cultural arguments to explain divergence in inequality and human capital. Australia and New Zealand were particularly harsh against men who abandoned their wives leaving children behind, a common risk in the three regions of this study. In New Zealand, a measure in 1883 contemplated “imprisonment of those near relatives who were suspected of planning to abscond to Australia to avoid having support orders against them” (Thomson, 1998, 25). Restrictions continued into the 20th century. To qualify for a pension in the Australian states, the person had to give proof of good character in an open court: past imprisonment, deserting partner and children, drunkenness disqualified a person from receiving a pension (Mendelsohn, 1954, 1979). Arguably, this had an effect on discipline and human capital. Alternatively in the Southern Cone, legislation to provide maternity benefits never tackled the problem of father responsibility with negative effects on lone-mothers, children, and human capital (cf. Lavrin, 1998; Hutchison, 2001; Milanich, 2010).

and medical benefits as well as superannuation which in practice meant that everyone received income after retirement.⁴⁹

Scandinavians also rejected Bismarkian programmes to accommodate rural interests (Baldwin, 1999). For instance, in Sweden with an older population and rural-urban migration “the number of rural poor could be expected to increase dramatically during the last decades of the 19th century” and “when the old people increased in terms of numbers and share of the total population, and simultaneously a smaller number and smaller fraction of the population owned land, the possibilities for families to take care of their elderly shrank” (Edebalk and Olsson, 2010, 393). Voters and parties in the 1910s rejected the German example, where wage earners contributed to their pensions, because rural and migrant incomes would lose out. As discussed above, the universal pension system resulted from the introduction of the income tax which would finance social security: with tax information the state determined the individual contribution to the system (Edebalk and Olsson, 2010, 399).

In this way, itinerary and temporal workers would also benefit from insurance. By avoiding contributory pension schemes, employers and landowners in Scandinavia and Australasia could save on labour costs: they avoided the mandatory contributions towards their workers’ insurance. In the Southern Cone employers, either in rural or urban settings, did not push for pensions funded through general taxation and, in consequence, were required to contribute towards their workers’ security. In absence of strong rural interests, even in Chile where the Conservatives were well represented, itinerant workers were left out; in absence of workers’ solidarity in urban settings, the informal were too left out of income protection. These two groups had difficulties in saving towards their own pensions or worked for firms or farms that could (or would) not provide long-term security. Contributory pensions reflected labour market stratifi-

⁴⁹By 1944, in New Zealand 3 out of 4 people over 60 were receiving age or superannuation benefits (Mendelsohn, 1954, 188).

cation: those inside protected industries and public services were to receive pensions in the future. Table 5.4 details the scope of inclusion by listing the percentage of the adult population covered by public pensions in Chile, New Zealand, and Sweden in the late 1940s. While almost the entire working populations of New Zealand and Sweden were covered, only a third of their Chilean counterparts were entitled to receive a pension in the future.

Like labour market regulation (chapter 4), increased social expenditures would not breed solidarity among workers. On the contrary, social spending without a stable fiscal base deepened social division and collective action problems. The logic of social insurance was that of co-optation, the same rationality behind labour market reform. This meant that even when policy-makers tried to change the pattern of social protection, workers and their employers found themselves in unlikely alliances to maintain state patronage. The clearest example comes from Argentina where Marcelo de Alvear tried to extend the public pension scheme to excluded workers in 1923. The bill sought to increase workers' and employers' contributions to widen the tax-base so as to pay for the insurance of those with no capacity to save. Workers, already included in various tailor-made schemes, and employers who did not want to incur in extra costs organised and defeated the measure (Lewis, 1993; Horowitz, 2008).⁵⁰

Unlike Argentina, in Chile and Uruguay, access was formalised through law but was conditional on the political will of parties. In this way, the three countries converged in a pattern of selective association, adapting European status-based insurance schemes,

⁵⁰Perón would later intensify the stratification of insurance even if it expanded to cover more workers. In Argentina this seems to be the result of the strategic association of president and workers which resulted in short-term spending among the poor, to boost popularity, and longer-term spending among the formal. This link rested on unstable funding. For instance, employers not aligned with government policy expropriated and the proceedings went to fund the Eva Perón foundation which provided assistance to those not included in formal social protection (Bemberg, 1951; Usami, 2004). The foundation, created in 1948, helped the poor but with little planning and on a more charitably basis. It also increased patron-client relationships between the poor and the regime: access to non-contributory pensions, organised by the foundation, was granted by directly asking Mrs. Perón, or begging through a letter to the foundation or the presidential residence. As Usami (2004, 222-223) notes, "here again we see a prototype of clientelism in social assistance policy which is still observed today".

Table 5.4: Approximate percentage of pensioners receiving an old-age pension in 1950 and approximate percentage of working population enrolled in social insurance

	Pensions	Social insurance
Argentina	18.7	19
Chile	27.4	47.1
Uruguay	21.7	25
Australia	50.3	16*
New Zealand	71.1	21.4*
Denmark	62.4	83
Norway	58.9	63.8
Sweden	75.3	66.2

- Sources and notes:
- Old-age pensions: Comparison is difficult due to different retirement ages. For instance, in Argentina it was 55 for women and 60 for men; and in Norway it was 70 (Central Bureau of Statistics of Norway, 1978, 580). Southern Cone pensioners are hence divided by population older than 60; the other cases are divided by population older than 65 which is closer to their retirement ages. This somewhat inflates Southern Cone numbers and decreases the other cases numbers. The coverage of the Argentinian pension was estimated in 13% considering the different retirement age of men and women (Usami, 2004). Southern Cone numbers are also inflated as a pensioner could belong to more than one pension holding scheme (*cajas*).
- Social insurance: Comparison is also difficult due to variance in insurance systems. Southern Cone figures represent those enrolled in state insurance over active population (15 to 65). Due to lack of Uruguayan censuses, active population is for 1955 from industrial censuses (Universidad de la República, 2014). For Scandinavia, contributing members to unemployment and disability schemes are considered, but information for Norway is for members in the National Health Service. Typically, information on those receiving public relief would oscillate between 4 and 6% in the Scandinavian countries. * Australasia provides information on those receiving maternity and child allowances (which are not means-tested), unemployment, sickness and accident insurance. The figure refers to current beneficiaries around 1950.
- Data are from International Labor Office (*Various years*), and Nahum (2007a); Usami (2004); New Zealand Census and Statistics Department (1911b); Statistiske Departement (1952); Commonwealth Bureau of Census and Statistics (1951); Central Bureau of Statistics of Norway (1978); Statistiska Centralbyrån (1952); Palgrave Macmillan Ltd (2013); Valenzuela (2011); Lewis and Lloyd-sherlock (2002); Universidad de la República (2014).

between state and working class groups. The first Uruguayan pensions laws of 1915, for example, granted security to selected individuals (mostly army officers) and their descendants so as to buy internal peace. Later reforms deepened this association, as the state controlled social benefits limiting the action of both unions and employers. Welfare benefited workers as individuals not as a group nor through formal channels. As a result, the two main parties “distributed favours and captured votes” (López-Alves, 2002, 101). In contrast to countries in the Antipodes and Scandinavia, redistribution did not need to operate through grass-root organisations to get popular support. Landowners bemoaned these urban mechanisms of redistribution as they did not want to pay the bill, but had no power to balance urban interests (López-Alves, 2002, 106)

The effects of co-optation on the distribution of income run through human capital, discussed in the previous chapter. Those excluded from security had no incentive to accumulate human capital even if education was free. Expectations on long-term income were insecure (even for those included as inflation increased). Social legislation benefited urban over rural areas and, in a sense, promoted quantity over quality of work (Finch, 1981, 43). In Uruguay this is clearer as the retirement age was lowered to reduce the supply of labour, but with few measures to improve productivity among the unskilled and the poor (e.g. through housing, food supply, or health). By the 1950s, the social security system was in crisis, underfunded and ridden with corruption. As Finch (1981, 51) concludes “there is little exaggeration in saying that the function of the system had ceased to be the economic protection of the needy, and became instead a device for maintaining political control”. Investment on human capital stagnated in Uruguay as spending on education and health suffered the instability of economic cycles (Azar and Fleitas, 2012, 11-13). Crucially, neither the state nor individual firms had a clear incentive to boost the productivity of the poor: the former distributed benefits in return for votes, the latter required to buy loyalty rather than efficiency to keep conflict at a minimum (cf. Camou, 2012). Education and pensions, which grant opportunities at the

beginning and towards the end of the life-course, were almost universal and unrelated to market power in both Scandinavia and Australasia, but no in the Southern Cone.

Inclusion into social spending followed the pattern of taxation. Australasia sought to achieve equality in the production process, in the labour market itself, so insurance could be targeted to those not covered by high wages (Castles, 1985). Scandinavians equalised consumption after taxes and expenditures. Both regions boosted the collective capacities of capital and labour: they became autonomous actors. Social spending did not become a tool to get political support but an instrument to share the risks and rewards of economic change. The Southern Cone does not fall in any of those models: it did not tackle inequality in the production process, although it tried, nor did it equalise consumption through taxation. Spending and taxation became instruments to distribute favours without demanding sacrifice, undermining the collective capacities of labour and capital as they became dependant on state patronage. The lack of a shared burden through taxation meant that spending would become stratified to compensate those few groups on which government support and social cohesion rested. They were not taxed for benefits but a part of their wages was retained as social contributions towards their pensions and unemployment benefits – which inflation, in any case, undermined. While Scandinavia and Australasia altered stratification by including universally or helping the poor respectively, the Southern Cone prolonged previous patterns of stratification: urban were treated better than rural, white-collar employees were better rewarded than blue-collar workers, men were granted an easier access than women. The problem was particularly acute for long-term investment on human capital through pensions and education. Savings for pensions were depleted by inflation, and the growth of spending did not create conditions for mass compliance with funding.

5.5 Discussion

Explanations on declining inequality through a fiscal pact and generous welfare states usually assume a universal motive towards redistribution by the organised workers, the strategic calculations of socialist parties to get legitimacy among the middle classes through public expenditures, and the political weakness of cohesive elites and capital. The Southern Cone is a paradox in that increased expenditures did not lead to a lasting decline in inequality. This chapter offers an explanation in terms of the capacity that states had to get compliance from the wider population to fund progressive policies and cooperate with their execution. Top-down reform, in other words, required to meet specific conditions from below.

Social insurance in the Southern Cone followed the stratification of taxation and pension policies. Policy makers emulated Bismarkian social insurance and followed indications of the Geneva Labour convention in a context of small-scale industry and itinerant work (Abel and Lewis, 1993). Urban interests linked with the main political parties in Chile and Uruguay, and with the Radical and then Peronist parties in Argentina, biasing spending towards cities. Rural interests lacked a definitive political voice and accepted urban redistribution, leaving rural conditions unchanged (Lamas and Piotti, 1981; Hora, 2001; Carrière, 1981). Rural settings did not experience the political upheavals of the growing cities, urban workers were better organised and had a political voice, while large landholdings could provide a minimum welfare to resident families but not to itinerant workers (de Oliveira and Roberts, 1994; Long and Roberts, 1994). In Australasia and Scandinavia social insurance broke stratification by including rural, unskilled, and migrant workers (even if in the former social spending was means-tested and in the latter included middle and upper classes) in a context of growing organisational skills by parties, unions, and pressure groups. Their self-discipline led to the enactment of long-term agreements that funded policy through shared obligations and

allowed individuals to accumulate human capital.

Australasia and Scandinavia, then, solved the collective action problems behind policy reform: inclusion demanded wide cooperation and restraint which in turn could address the thorny issue of providing security to itinerant workers and adapting to changing economic conditions. The Southern Cone stopped short in building collective capacities. Taxation lost cooperation by targeting few. Spending could not breed solidarity as groups of employers and workers sought state patronage in detriment to those that could not organise. Taxation and spending became political, not redistributive, tools to achieve small-scale cooperation and short-term gains. Table 5.5 shows the pattern of inclusion to those policies that mattered most for human capital, education and pensions. Even though New Zealand enacted means-tested pensions, almost all were covered by superannuation benefits. What distinguished Australasia and Scandinavia from the Southern Cone was not so much the generosity of their benefits, but the extension of their obligations.

Table 5.5: Pattern of funding and spending on pensions and education

Taxes / Benefits	Stratified	Universal
Stratified (short-term, selective)	Southern Cone	
Universal (long-term, mass taxation)		Scandinavia, the Antipodes

After 50 years of evolution, by the 1970s the welfare systems of the Southern Cone were among the most advanced in the West. According to Mesa-Lago (1985, 99,187) welfare in Chile and Uruguay covered all types of uncertainties and included more than 70% of their active populations and provided universal health access. However, the old problems of lack of cooperation were still present, making the systems complex and stratified. These old problems made the systems inefficient in including the poor and being well funded. Inequalities between working class groups and geographical areas persisted. As a result, free-riding was endemic in both taxation and spending. The

Chilean pension system had 30% more beneficiaries than contributors, and the same happened in Uruguay. Not only that private firms and workers declared lower wages and contributed lower income to these systems, even the state had the incentive to pay lower wages and sub-declare the income it was paying to its employees (Mesa-Lago, 1985). Whether spending was universal or means-tested did not ultimately matter: the crucial test was cooperation through a shared interest in the continuity of social security. Through short-term funding, social security could not redress inequality in the long-run.

Taxation and expenditures in Scandinavia and Australasia solved two problems that allowed them to boost compliance with their reforms: they equalised duties and benefits across their nations, hence favouring rural development, and gained cooperation for the long-term permanence of these policies by widening responsibilities across their populations. These conditions explain why their different types of expenditures, one universal and the other targeted, had an effect on the distribution of income and both converged to lower levels of inequality over time. The Southern Cone in contrast, enacted taxation policies that targeted the wealthy but ultimately had to rest on more unstable sources of revenue. To get cooperation, states had to associate selectively with organised pockets of the working and middle classes. Organised groups benefited from formal redistribution while a significant amount of informal workers and the poor received more sporadic and less generous insurance. In the Southern Cone, rural incomes paid for urban development, capital paid for high wages among formal workers, and long-term investment paid for short-term consumption.

Steinmo (2010, 34) referred to the Swedish model as one where everyone pays and everyone receives, but his findings certainly apply to the other Scandinavian nations. Following the same logic, Australasia converged in a model where everyone pays and the poor receive as middle classes were protected in the labour market by high wages. In the Southern Cone nobody paid and all wanted to receive (cf. Baer and Pineo, 1998, 7). Today we regard the systems of Australasia and Scandinavia as targeted and universal

respectively. These names do not result from a previous social philosophy but derive from the type of solution that these states gave to distributional conflict and inequality. They reflect the sharing of responsibilities and the equilibrium of power between organised interests. Two different settings gained a wide cooperation and stability over time as they solved geographical inequalities, collective action, and time consistency problems. The Southern Cone system could be regarded as selective in that the states also tried to gain cooperation from strategic organised groups that could provide them with (short-term) support in return for insurance. Inequality did not decline as conflict became institutionalised, it followed cycles of increased welfare demand as more and more groups organised to seek wider benefits but without acknowledging revenue problems (in the end, others could pay: firms, foreign capital, and natural resources).

As in education and labour markets, policy makers discounted the future and failed to reflect on the conditions that could make progressive reforms viable in the long-run. Expenditures closely followed the fiscal pact and its combination with labour market protection. Urban workers and their organisations gained, even if their wages would suffer due to inflation. Rural protection became more paternalistic as a result. But rural landlords did not have an incentive to invest in their own landholdings as industrial investments became more lucrative. Social spending suffered an indirect effect as commitments to redistribute need to be kept over time. Direct taxation, whether progressive or regressive, helps those commitments and allows some protection from more unstable sources of revenue. It is not just the absolute magnitude of taxation and spending that explains inequality. How taxes are levied and revenue spent have long-term consequences: responsibilities need to be shared for benefits to be progressive.

Chapter 6: Conclusions: Persistent inequality

6.1 Current challenges

At the beginning of this dissertation I asked why income inequality has been so persistent in the Southern Cone in comparison to Australasia and Scandinavia despite the fact that the three regions enacted a host of progressive reforms that regulated wages, improved education, and taxed and redistributed income at a time when their socio-economic conditions were similar. This question is all the more important today as Latin America has become a fetish for students of inequality, puzzling researchers for its magnitude and persistence. As Milanovic (2011, 183) summarised: “the range of inequality charted by Latin American countries is such that its most equal countries start practically at the point where the most unequal countries in Asia are”. Turning the gaze to Europe the same comparison emerges: Europe’s most unequal country, Russia, exhibits inequality levels on a par with Latin America’s most equal country, Uruguay (Gasparini et al., 2008, 35-6). And yet, most of Latin America has experienced a decade of declining income disparities in the 2000s (cf. Lustig et al., 2013; Gasparini et al., 2009), which begs the question: will the trend last? Or will it be just another brief episode as the ones experienced, at least in the Southern Cone, in the 1940s and 1970s?

Nobody knows exactly why inequality is going down in Latin America: social policies, labour market regulation, and education are not significant predictors of more equality, and the trend seems to slow down or might have even stopped as the commodity boom

draws to a close (cf. Porter, 2014). Past experiences however, provide a few clues. Part of the answer, as I argue in this dissertation, results from the fact that Southern Cone countries could not broaden cooperation with their progressive reforms in labour markets, education, and taxation. Collective action problems are the persistent problems of inequality.

Other questions arise: can the experience of three of the more advanced Latin American economies tell us anything about the rest of continent? And in particular, do we gain any generalisable results by comparing them not to the rest of the region but to the more egalitarian and industrial nations of Australasia and Scandinavia? And do events in the early 20th century teach any lessons for more recent times? Table 6.1 shows the gulf in economic and inequality conditions separating the Southern Cone from the other two regions. Despite the u-turn of increasing inequality since the late 1970s, the Antipodes and the Nordic nations remain richer and more egalitarian than their counterparts in the Southern Cone.¹

To these reservations the short answer is yes. The historical puzzle highlights the conditions under which social reform could work in the long-run and offers some clues to interpret the broader Latin American situation. My first inclination was to look for answers in general historical models of development, modernization, and colonial legacies. Although informative, these models failed to see the peculiarities of social reform at the start of the 20th century. Despite variation in institutional legacies and historical backgrounds, the three regions attempted similar progressive solutions to address social conflict and global economic risk. Turning to economic and political explanations the dissertation found a stronger ground to explain Southern Cone divergence, and Australasian and Scandinavian convergence. Economic explanations were found

¹The aggregate numbers reveal within regional variation in the Southern Cone. Chile scores a higher Gini but comparable ratios of income and a lower poverty rate (close in fact to Australia). This indicates that inequality in Chile is driven by the gap between the rich and the rest, while in Argentina and Uruguay inequality is driven by the gap between the middle and the bottom. It is relatively better to be poor in Chile than in Argentina and Uruguay, but better to be middle class in Argentina and Uruguay than in Chile.

Table 6.1: Social and economic conditions in the late 2000s

	Gini	P90/P10	Poverty (50% of median income)	Life ex- pectancy at birth	GDP per capita PPP 2011 US\$
Argentina	0.44	8.8	21.1	75.7	17,554
Chile	0.49	8.3	15.1	78.8	17,310
Uruguay	0.44	7.8	19.2	76.7	15,078
Australia	0.34	4.5	14.6	81.9	39,720
New Zealand	0.33	4.2	11	80.6	30,057
Denmark	0.25	2.8	6.1	78.7	40,907
Norway	0.25	3.0	7.8	81	60,405
Sweden	0.26	3.2	8.4	81.3	41,467

- *Sources:* Inequality and poverty estimates are from CEDLAS and The World Bank (2012) and OECD (2012); OECD (2012). GDP per capita figures are from World Bank (2014b).

to predict short term changes in inequality by looking at migration, comparative advantage, global trade, and education. But education, they could not explain the longer-term as these variables changed over time: Scandinavia and Australasia converged in a declining trend of inequality despite adopting different macroeconomic policies. Protectionism in Australasia and the Southern Cone produced opposite distributional outcomes; and Southern Cone divergence took place markedly after the introduction of welfare reform. Political explanations found that institutional variables depended on the organisational capacities of relevant social actors such as unions and employers. Paradoxically, firms and employers were found to be better coordinated in Scandinavia and Australasia which would have predicted larger inequality in those regions in contrast to the Southern Cone. This left us with a deeper and more complex problem which could not be brushed away simply by looking at the power of traditional elites.

Three specialised areas of stratification research proved more successful. A constant finding of stratification scholars is that education, labour market regulation, and taxation and social spending are correlated with inequality. The first two areas touch on the production process and the generation of income differences in the labour market;

the third relates to consumption and the redistribution of market income through social policy. These usual suspects explain the bulk of contemporary levels of Southern Cone inequality: educated and formal workers receive significantly more generous wages and insurance than the poor, who do not altogether benefit from taxes and spending, in contrast to their counterparts in Scandinavia and Australasia. By comparing the three regions, the dissertation shows how these usual predictors of inequality actually worked over time. Cooperation with state regulation was essential for labour market, education, and taxation reforms to have an impact on inequality; and cooperation became more likely when organisational capacities were strong at the social level. When top-down policies met with bottom-up cooperation, inclusion was guaranteed: groups' self-restraint limited policy makers' temptation to discount the future for short-term political gain. When those conditions were present, labour market regulation increased formal employment, education expansion produced general skills and shared human capital, and taxation and social spending bred redistribution. This dissertation is an explanation of why these variables became significant predictors of inequality.

But do those conditions in the past explain the current state of affairs? Inequality in the 1970s and 1980s became a hot topic across Latin America and the Southern Cone because its clear political and normative implications. Inequality soared at a time when most of the region embarked on liberal reforms, often under brutal political conditions, that opened trade and freed markets. The consequences of "neo-liberal" reform and the Washington Consensus remain heatedly contested. Economies grew at an unprecedented rate in the late 1980s and 1990s coinciding with the return to democracy, but inequality also grew, calling into question the legitimacy of economic models, breaking social cohesion, and fracturing politics (Huber and Solt, 2004). Surely this is a straightforward explanation: liberal reform was concerned with economic efficiency rather than a fair distribution of income. But top-down liberal reform also met with unintended consequences. With a pool of cheap workers it was thought that industry would

pick up, just as it did in South East Asia in the 1960s, improving formal employment and reducing inequality. The opposite happened: dualism between export-oriented and domestic markets deepened, and the gulf between formal and informal workers grew (cf. Beyer et al., 1999; Leamer et al., 1999). Recent research and this dissertation show that inequality began to increase before the time of liberal reforms, but the opening and de-regulation of markets certainly intensified the widening of income gaps in the 1980s and 1990s (Altimir, 1994). Crucially, liberal reforms highlighted the problems of the previous protectionist, state-centred models of growth and redistribution in the three areas I study in this dissertation. Behind the veil of protectionism, firms and state enterprises had not become more efficient and able to compete in a global world (Edwards, 2010). Unemployment hit particularly the poor thus widening the income gap. Reducing the tax and social capacity of states led unregulated markets to become an easy target for few coordinated businesses and firms (Centeno and Portes, 2006). Low fiscal and redistributive capacity meant that the state had to rely, again, on the organisational capacity of firms to provide welfare, hence increasing labour costs and hitting the informal sector (on labour costs see World Bank, 2014a). The incorporation of new technology through globalisation made the premium associated to education soar, revealing that after 150 years of educational reform the poor still had problems of mass access to quality education while middle classes benefited from longer educational careers. Firms had to invest on loyalty over human capital and remained paternalistic over a divided working class (Drake, 1996; Rodríguez and Ríos, 2009; Schneider, 2009).² Liberal reform from the top never sought to achieve cooperation from the bottom.

Reforms in Australasia and Scandinavia in the late 1970s also unregulated markets and

²Growth became the main political and technocratic objective of the 1990s and a requisite for lower inequality in the long-run. But economic growth made the usual predictors of inequality all the more significant. Inequality grew out of the export of natural resources and globalization which created imbalances between local and export-oriented sectors, the skill premium grew. Middle class households benefited from the incorporation of the educated women into the labour market in contrast to poorer households where women were less likely to access the formal labour market and depended on the wage of one income earner (Altimir, 1996; Altimir and Beccaria, 2001).

targeted economic efficiency over equality. But inequality increased mildly or not at all compared with the Southern Cone. More importantly, the systems of wage regulation adapted to the new economic environment and proved successful in administering distributional conflict. Education opportunity remained open and received ever greater public resources. Firms had an incentive to invest in human capital. And while tax rates, particularly for the rich, decreased, the states of the two regions remained committed to redistribution to the poor although on a more means-tested basis.³ Reforms did not entail creating a whole new system to reduce global risk and internal strife; they were adapted and made more efficient to respond to the new challenges of globalisation and technology. A good example is labour relations, which remain formal in both Scandinavia and Australasia despite the fact that technology allows workers and firms to link informally. Recent problems of inequality in the West are not about the unequal distribution of the means of production, as Marx and others contended in the 19th century, but of the “domination of the means of payment” by a rent-seeking financial sector (Stiglitz, 2012). In that respect, the working agreements of Australasia and Scandinavia proved more resilient to deal with these new problems than in the Southern Cone although the three regions have experience an increase in wealth inequality.

Explanations in labour markets, education, and taxation are reflected in contemporary debates in the Southern Cone. The 1990s highlighted coordination and trust problems among unions, employers, and the state, and lack of consensus to increase the tax base and social expenditures.⁴ Despite the recurrence of these problems and the adoption of different policies, inequality declined in the 2000s across the region. Does that mean that these explanations are no longer operating? Inequality has decreased in Argentina where the government took her back to a state-centred model of redistribution, and both in Chile and Uruguay that have expanded the market along more social demo-

³Podder and Chatterjee (2002) draw attention to the fact that more targeted and means-tested policies in New Zealand increased inequality in the 1990s. For other donor countries see Korpi and Palme (1998).

⁴Some successful experiences, such as the democratic transition in Chile, were able to boost political support to taxation reform (Boylan, 1996).

cratic lines. Besides, younger cohorts are more equal than older ones, notably in Chile (Sapelli, 2007). But will the trend last? Will inequality, still at comparatively high levels and not below the historic lows of the 1940s and 1970s, keep going down? There are of course reasons for hope as indicators improve. But the deeper problems in labour markets, education, and taxation are still haunting the region:⁵ limited coordination and trust between employers and unions, problems to create autonomous capacities among social actors, functional illiteracy and lack of education for the poor,⁶ and the almost impossibility to broaden the tax-base.⁷ As a consequence, the Southern Cone relies on commodity booms instead of creating more robust states and markets to improve income distributions. Equality projects are severely constrained by lack of cooperation which demands in turn greater self-discipline among social actors.

For literature on power resources and institutions, the Southern Cone cases question progressive models that derive social and education spending, and labour market regulation, from the power of the left to tax the rich, restrict employers' free hand, and redistribute to the wider society. These models assume a level of group organisation and within-class solidarity that the Southern Cone never attained. More than the democratic coercion of elites, cooperation and the solution of collective action problems in taxation and labour market are essential for policies to alter distributional outcomes over time. Theories on elite power and social exclusion hide the more important strategies that relevant actors pursued. The strength of groups at the social level allowed them to create binding rules that fostered inter-dependence and power equilibrium in Australasia and Scandinavia. Dependency of social actors to relatively weak states with low taxation capacity, remained the norm in the Southern Cone.

⁵The Economist recently summarised research on taxation and inequality and came to the conclusion that a "squeeze on the rich" is necessary for keeping the trend going (Bello, 2014).

⁶Unlike the past, the problem of education seems to be one of inadequate supply as demand for education and human capital has soared among poor and rich alike.

⁷In Chile, arguably the most successful in implementing tax reform of the three, still only about 20% of workers is subject to pay the income tax (Atria, 2014).

6.2 Legacies of social reform

This dissertation argues that initial conditions between the three regions were more comparable than today as the three grew out of the export of natural resources, attained similar levels of income per capita, and exhibited large income inequalities. Perturbations in the economy abroad and internal strife at home made them enact a number of progressive reforms in labour markets, education, and taxation to shield themselves from uncertainty and reduce distributional conflict. The subsequent levels of inequality defy standard explanations that predict a downward trend out of the regulation of labour markets, the mass formation of human capital, and increased taxation and social spending. Table 6.2 summarises how reforms were enacted in these three areas. To understand why these variables failed to bring a stable downward trend of inequality, I looked into the generative processes that made them work in different ways.

Table 6.2: Models of social policy between 1920s and 1970s

	Southern Cone	Australasia	Scandinavia
Collective agreements and minimum wages (since 1920s)	Decentralised, mediated by executive	Decentralised, mediated by courts of arbitration	Centralised
Education regulation	Centralised	Decentralised	Decentralised
Taxation	Trade, inflation	Income/consumption	Income/consumption
Social spending	Urban working and middle classes	Means-tested, the poor	Universal

6.2.1 Labour markets

The price of labour was set according to the interests of industrialists, landowners, workers, and policy makers at the margin of market relations. Setting wages was essential for lessening distributional conflict and for stabilising economic expectations amid turbulent global markets. The discussion over wages then opened the debate over free trade or protectionism and domestic policy objectives. Protectionism would ben-

efit domestic industries and their workers as they could pay higher wages, boost consumption, and charge higher prices. Free trade would benefit export-oriented industries but required wage restraint to keep firms competitive and some forms of compensation to keep the economy legitimate. Both Australasia and the Southern Cone pursued protectionist strategies to promote their local industries and increase the consumption capacity of domestic workers. In both these settings the state played the key role in fixing wages. The regulation of labour markets in Australia and New Zealand achieved a compromise between labour and capital through legislation and courts of arbitration. Courts favoured unionism to boost the collective capacity of workers so the negotiation would become more “civilised”. In time, both unions and employers associations complied with state regulation: unions became liable for breaches in collective agreements, union and non union members were awarded similar wages thus improving the position of unskilled workers, and employers accepted these legal conditions as a way to get protection from foreign markets and reduce conflict at the shop level. In the Southern Cone the labour market became more unstable and unable to deal with distributional conflict in the long-term. The executive took the lead in negotiating and fixing wages according to the interests of relevant employers and workers. Both employers and unions were unable to improve their collective capacities as they depended and courted executive patronage. Wages improved in protected industries but the growth was uneven as certain groups of formal workers and protected employers benefited, leaving aside a significant number of informal enterprises and workers. In the long run the economy became inefficient and dependant on political favour. In Scandinavia, the state through labour courts legalised and accepted the solutions already negotiated at a national level by associations of employers and workers. The bargaining at a national level grew from conflict into cooperation as both parties became stronger and able to impose equal conditions and discipline among their members. Workers in better paid industries consented to lower their wages to meet the demands of more radical workers in smaller industries and prevent them from free-riding on national agreements. Legal

liability for breaches on these agreements were put into legislation. The equalisation of wages was accepted as the state became more active in taxing and redistributing income.

The systems of Australasia and Scandinavia were completely different, the former relied on top-down regulation, the latter on self-restraint by strong organisations of workers and employers. But both worked as they placed incentives for union growth, thus expanding their autonomous capacities and their willingness to abide by wages set at a national level. Workers were included in the labour market, restrained by its legislation, and reinforced in their autonomy. These mechanisms promoted compliance with formal rules and achieved a long-term compromise. In contrast, the Southern Cone system could never completely solve the collective action problems facing employers and workers. Both actors were divided and dependent on the executive. In turn, this prevented the mass inclusion into the formal market as the state courted the favour of few organised interests on a short-term basis.⁸ Despite some gains, inequality persisted and became salient between the formal and skilled and informal and unskilled workers. Cooperation broke as employers and workers pushed up their demands without self-restraint and conflict remained rooted as a tool to improve wages and social benefits.

6.2.2 Human capital

Stratification research contends that mass education breeds human capital, and shared human capital allows economies to adapt to technological change, grow, and become more egalitarian in time. The three regions created public systems of mass primary schooling since the mid 19th century. But the pattern of human capital accumulation was affected by the inclusion of the poor, the centralisation of education decisions, and the time demands of the educational systems. In Scandinavia, education favoured

⁸This became the norm in other Latin American countries that pursued welfare reform after the Southern Cone, see (Mesa-Lago, 1985; Haggard and Kaufman, 2008).

the formation of practical skills and diminished the status differential between manual and intellectual work. The university system targeted future public officials, but mass schooling at primary and later at secondary levels, improved mass inclusion. Education was organised from below and provided in a decentralised way by local communities. In Australia and New Zealand education was clearly organised from primary up to secondary and tertiary levels and provided general skills for a growing urban population. Local communities were in charge of providing education under strict control by the Australian states or the New Zealand central state. It is true that both Scandinavia and Australasia had an advantage in literacy thanks to Protestantism, but they organised their national secular systems of free education in an attempt to foster mass inclusion. They helped the poor to attend school through a mix of incentives (e.g. school meals) and compulsion, and the curriculum created enough skills that with few years of primary or secondary schooling, the student reaped a considerable economic advantage. The Southern Cone might have begun the 19th century in disadvantage due to colonial legacies although both crown and church had tried to provide education for all (even if to promote obedience and discipline.) But the organisation of mass schooling had two biases not present in Australasia and Scandinavia: it was centralised from the capital city and from the national university. Centralisation allowed policy makers to wrest power away from local leaders, and as it was mainly financed by resources coming from international trade, they could impose an urban education to all: schools prepared pupils for university. University leaders resented mass schooling as they thought it would bring university standards down. They attempted to create a new enlightened elite that would replace backward Hispanic legacies. Despite notable success in improving enrolment and the quality of university graduates, mass education became repetitive and intellectual, and students had to stay long past primary and secondary levels to reap material rewards. Demographic conditions and poor health also constrained access: the poor were more likely to drop-out in the first years of primary school and revert to a state of illiteracy. It took these systems very long to achieve mass literacy

and even today around a fourth of the adult population has problems understanding basic texts or solving simple maths problems. Although the system created a new middle class associated to university and state jobs, the gulf between the educated and the non-educated grew. Top-down reform was not met with cooperation from local communities and families, inclusion was constrained by a university-oriented curriculum, malnutrition and poor health. By not addressing the short-term needs of a significant proportion of individuals, the school system could not guarantee the long-term stay in education. Policy makers blamed the poor as a consequence: they were baffled as they did not take the opportunities of a free, secular, and public system. The bias in spending towards tertiary and secondary levels grew over time as university students and leaders became active social actors.⁹

6.2.3 Taxation and insurance

Taxation policies to boost social expenditures also affected the distribution of income. Domestic taxes provided public policy with stable sources of funding. Taxation and spending could shield economies from global uncertainties and redistribute towards those affected by economic cycles. Again, the triad of inclusion, cooperation from below, and long-term strategies explain why increased taxation and spending in the Southern Cone had a different effect on income inequality than in Australasia and Scandinavia.

⁹Taking together labour market and human capital policies, an additional source of instability is apparent. Research often links younger populations and education to social strife. Goldstone (2010) saw this problem as the “the new population bomb”, but there are antecedents in history. Kim and Pfaff (2012) for instance, associate the spread of the Protestant Reformation to the growth of universities and a more educated youth. As we saw, Scandinavian unions would blame the young for the break-up of collective agreements. Although Australia and New Zealand had young and well-educated populations, the systems of arbitration limited potential conflicts unlike the Southern Cone where the association proved to be more explosive. A young population that was increasingly educated through progressive university reform could also affect distributional outcomes through increased political radicalism, i.e. the abandonment of democratic means for radical imposition. Radical, non-consensual, policies in the post 1950s Southern Cone countries were led by middle-class, university-educated youths. For Argentina see Smith (1974), for Chile Cousiño (2001), for Uruguay Lopez-Alves (1989, 230).

The Southern Cone states had relied on taxation of imports and natural resources. But the low yield of international commerce in the 1920s and 1930s made her states enact modern income taxes on domestic resources. As trade recovered and the states pursued a more protectionist policy to promote internal industries however, the impetus to reform domestic taxation ended. The income tax remained a class tax, unable to widen its base to the mass of society. The states began to rely on the export of natural produce to fund urban industrialisation while the growth of wages and social expenditures triggered inflation, which together with foreign loans reflected the fact that states could not reach a fiscal pact with society. Policy makers avoided domestic taxation to prevent social conflict, and tried to improve distributional outcomes through increased social insurance. The tax base remained low, targeted the rich, and lost the cooperation of the elites into the second half of the 20th century. Social policies suffered funding problems, particularly in education, which affected their continuity over time. Lack of mass taxation affected the possibility to redistribute and address market inequalities.

A good example is pension policies which require savings and stable long-term expectations to affect current behaviour. Expenditures in the Southern Cone were stratified and tied to job status, just as in France and Germany, but without the stable industrial base of those countries. As a result, the itinerant, the rural, and the informal lost out while employers and workers of protected industries contributed towards pensions for the formal and urban. The poor would receive state charity on a less steady base (Haggard and Kaufman, 2008, 9).

Redistribution worked through different strategies in Australasia and Scandinavia. But the common theme is the expansion of the tax base and the sharing of mutual obligations to provide stable funding for social expenditures. Scandinavia settled for universal inclusion into social policy but with high domestic taxes, both progressive and regressive. Australasia targeted redistribution to the poor as workers were already protected by high wages, and kept very progressive rates of income taxation. Mass taxation en-

sued cooperation, prevented free-riding from contributing towards social policy. In terms of pensions, for instance, these two regions converged in relatively universal coverage which, as it was funded by general taxation, favoured the informal, itinerant, and rural who have more problems in contributing towards their own insurance.

6.3 Markets and Politics in a Global World

Amid fast neo-liberal reform in the early 1990s, in his acceptance speech of the Nobel memorial prize for economics, Douglass North remarked that “ (..) transferring the formal political and economic rules of successful western market economies to Third World and eastern European economies is not a sufficient condition for good economic performance. Privatization is not a panacea for solving poor economic performance” (North, 1998). Variation of enforcement and informal rules would explain why similar institutions had different outcomes. The Southern Cone eagerly embarked on these reforms in the 1980s and 1990s as a quick solution to their historical problems of growth and inequality. As this dissertation shows, they had attempted to copy ready-made solutions before; they tried French and German models of welfare but without French and German states and taxes. They attempted French, later Prussian, school systems as a short-cut to European high culture but without interest in pre-primary and primary levels. And they followed the International Labour Conventions of the 1920s and 1930s by quickly incorporating their recommendations into labour codes, but instead of building solidarity, these rules divided workers and employers as policy makers played them off to achieve social peace and build political support in the short-term. But reforms in the 1990s, although successful in many ways just as the ones in the past, neglected the same three basic problems: they failed to foster inclusion, achieve cooperation with autonomous agents at the social level, and were unsuccessful in providing stable systems to administer social conflict in the long-run.

Scholars in the 1990s and 2000s disputed the merits of neo-liberal reform. Positions over policy reform usually followed disciplinary boundaries. It is fair to contend that most economists saw the good results of increased economic efficiency while sociologists bemoaned the lost of state power and diminished social cohesion. Edwards (2010) for instance, celebrated the gains in efficiency by some Latin American economies contrasting them to more backward populist experiences. Chile then appears a successful case of reform and later social democratic redistribution in contrast to the more erratic path of Argentina. Markets became a solution for the populism of the past. In contrast, for Centeno and Portes (2006) for instance, Latin America and the Southern Cone should have kept looking to Europe to reinforce their welfare states instead of dismantling them. Weak states growing weaker made markets work inefficiently, breaking social cohesion.

As in the past, technological change and globalization, amid growing concentration of wealth, is unsettling the economy. Skills become redundant and are not necessarily transferable to the new environment. Both stronger markets and states are required to sustain the current decline of inequality in the region. But solutions at such macro level need solving “social dilemmas” and collective action problems at the social level to work over time. The peaceful administration of distributional conflict through labour market regulation, the building of collective capacities among workers and employers so they can force agreements on their members without the risk of free-riders; the cooperation, instead of dependency, between state, employers and workers, and educational inclusion are necessary for inequality to keep decreasing. Top-down policy needs wide bottom-up cooperation.

In assessing the strength of rural organisations in determining welfare policy in Scandinavia Baldwin (1999, 94) concluded that “the solidarity of one age has its roots in the selfishness of another”. Self-interest of rural, and business (Swenson, 2002), rendered Scandinavian policies universal. “None of the supposed benchmarks of social

democratic social insurance (universalism, tax-financing, flat rates) were initially or in any essential way determined by the left or its core constituency. Bourgeois and rural interests were the origin of what Social Democrats have later successfully claimed as their own” (Baldwin, 1999, 156). The elite in the other two regions were no less self-centred than in Scandinavia. Australasians preferred to redistribute through the labour market granting wide economic opportunity in education. In the Southern Cone both the labour market and the state became tools for short-term redistribution. It would be hard, however, to find a selfish motivation in the elites that widened access to education and protection in the 1920s and the urban political parties that deepened these models. They certainly saw themselves as enlightened and charitable. They expected that as economic relations would become formal and industry would expand, more people would access social insurance and both development and equality would come. Paraphrasing Baldwin, the selfishness of contemporary Southern Cone countries had its roots in the good intentions of the past. As the middle class grew, as certain groups became protected, the impetus for expansion diminished. For access to reach the very poor, the tax base needed to increase but those already covered preferred to receive without sharing the burden for social insurance.

For most of this dissertation, it would have been easier to refer to the Southern Cone countries as populist experiences as they used short-term selective strategies to boost cooperation from key players and buy the allegiance of those included in social policy (Jansen, 2011; Oxhorn, 1998). Certainly this was the pattern of association even in Chile and Uruguay, usually regarded as non-populist. In the three countries, welfare became a tool for control that did not generate incentives to accumulate human capital nor diminish social tensions. I decided against the use of this concept. The strategies of inclusion into social policy and cooperation between social agents received a number of names long after they were enacted. They resulted from different bargaining positions, the relative strength of groups, and state capacities. My concern was on how

these strategies worked in practice. Groups' motives were far more complex than the literature is willing to accept and as a result, we tend to judge organised interests in a different light, e.g. were elites in the Southern Cone really more self-centred than in the other two regions? Universalism, targeting, populism were not a coherent set of measures sought consciously by enlightened policy makers. These policies were the outcome of struggles and compromises that rested on common sacrifices even if they later differed in the generosity of their benefits.

Bibliography

- Aaberge, R. and A. B. Atkinson (2010). Top Incomes in Norway. In A. B. Atkinson and T. Piketty (Eds.), *Top Incomes: A Global Perspective*. Oxford: Oxford University Press.
- Abad, A. L. A. (2008). Inequality in Republican Latin America: Assessing the Effects of Factor Endowments and Trade. *GPIH Working Papers No 12*.
- Abadie, A., A. Diamond, and J. Hainmueller (2014). Comparative Politics and the Synthetic Control Method. *American Journal of Political Science* 59(2), 1–16.
- Abel, C. and C. Lewis (1993). Introduction. In C. Abel and C. Lewis (Eds.), *Welfare, Poverty and Development in Latin America*, pp. 1–32. London: Macmillan.
- Acemoglu, D., S. Johnson, and J. A. Robinson (2001). The Colonial Origins of Comparative Development: An Empirical Investigation. *The American Economic Review* 91(5), 1369–1401.
- Acemoglu, D., S. Johnson, and J. A. Robinson (2002). Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution. *The Quarterly Journal of Economics* 117(4), 1231–1294.
- Acemoglu, D., S. Johnson, and J. A. Robinson (2005). Institutions as a fundamental cause of long-run growth. In *Handbook of Economic Growth*, Volume 1, Chapter 6, pp. 386–472. Oxford: Elsevier.

- Acemoglu, D. and J. A. Robinson (2006). *Economic Origins of Dictatorship and Democracy*. Cambridge and New York: Cambridge University Press.
- Acemoglu, D. and J. A. Robinson (2012). *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. New York: Profile Books.
- Acuña, A. (1943). *La Organización de la Escuela Argentina*. Buenos Aires: El Ateneo.
- Adelman, I. and C. Taft Morris (1973). *Economic Growth and Social Equity in Developing Countries*. Stanford, California: Stanford University Press.
- Adelman, J. (1992). Socialism and Democracy in Argentina in the Age of the Second International. *The Hispanic American Historical Review* 72(2), 211–238.
- Adelman, J. (1999a). *Republic of Capital: Buenos Aires and the Legal Transformation of the Atlantic World*. Stanford, California: Stanford University Press.
- Adelman, J. (1999b). The Problem of Persistence in Latin American History. In J. Adelman (Ed.), *Colonial Legacies: the Problem of Persistence in Latin American History*, Chapter 1, pp. 1–13. New York and London: Routledge.
- Adelman, J. (2001). Institutions, Property, and Economic Development in Latin America. In M. A. Centeno and F. López-Alves (Eds.), *The Other Mirror: Grand Theory Through the Lens of Latin America*, pp. 27–54. Princeton and Oxford: Princeton University Press.
- Afonso, A., L. Schuknecht, and V. Tanzi (2010). Income distribution determinants and public spending efficiency. *The Journal of Economic Inequality* 8(3), 367–389.
- Agriculture (1921). Agricultural Conditions and Labour Agreements in Denmark and Sweden. *International Labour Review* 2, 97–118.
- Ahonen, S. and J. Rantala (2001). Introduction: Norden's Present to the World. In S. Ahonen and J. Rantala (Eds.), *Norden Lights: Education for Nation and Civic*

- Society in the Nordic Countries, 1850-2000*, pp. 9–28. Helsinki: Finish Literature Society.
- Albert, B. (1988). *South America and the First World War: The Impact of the War on Brazil, Argentina, Peru, and Chile*. Cambridge: Cambridge University Press.
- Alderson, A. S. and F. Nielsen (1999). Income Inequality, Development, and Dependence: A Reconsideration. *American Sociological Review* 64(4), 606–631.
- Alderson, A. S. and F. Nielsen (2002). Globalization and the Great U-Turn: Income Inequality Trends in 16 OECD Countries. *The American Journal of Sociology* 107(5), 1244–1299.
- Alesina, A. and E. L. Glaeser (2004). *Fighting Poverty in the US and Europe: A World of Difference*. New York: Oxford University Press.
- Alesina, A., G. Tabellini, and F. R. Campante (2008). Why is Fiscal Policy Often Procyclical? *Journal of the European Economic Association* 6(5), 1006–1036.
- Alexander, R. J. (1962). *Labor Relations in Argentina, Brazil, and Chile*. New York: McGraw-Hill.
- Alexander, R. J. (2005). *A History of Organized Labor in Uruguay and Paraguay*. Westport, CT: Praeger.
- Alfano, P. (2010). Uruguay: Making the Secret Shame of Illiteracy a Thing of the Past. *Inter Press Service (IPS)*. <http://www.ipsnews.net/2010/02/uruguay-making-the-secret-shame-of-illiteracy-a-thing-of-the-past/>.
- Altimir, O. (1994). Cambios de la desigualdad y la pobreza en la América Latina. *El Trimestre Económico* LXI(241), 85–133.
- Altimir, O. (1996). Economic Development and Social Equity: A Latin American Perspective. *Journal of Interamerican Studies and World Affairs* 38(2/3), 47–71.

- Altimir, O. and L. Beccaria (2001). El persistente deterioro de la distribución del ingreso en la Argentina. *Desarrollo Económico* 40(160), 589–618.
- Alvaredo, F. (2010). The Rich in Argentina over the Twentieth Century, 1932-2004. In A. B. Atkinson and T. Piketty (Eds.), *Top Incomes: A Global Perspective*. Oxford: Oxford University Press.
- Alvaredo, F., A. B. Atkinson, T. Piketty, and E. Saez (2012). *The Top Incomes Database*. <http://g-mond.parisschoolofeconomics.eu/topincomes>.
- Àlvarez, J., E. Bilancini, S. D'Alessandro, and G. Porcile (2010). Agricultural Institutions, Industrialization and Growth: The Case of New Zealand and Uruguay in 1870-1940. *Working Paper Series: Center for Economic Research, University of Modena*.
- Andersson, L. I. (1994). Local taxation in the interwar years: Sweden in Europe. *Scandia* 60(2), 231–253.
- Andresen, A. and K. T. Elvbakken (2007). From poor law society to the welfare state: school meals in Norway 1890s-1950s. *Journal of Epidemiology Community Health* 61, 374–377.
- Angell, A. (1972). *Politics and the Labour Movement in Chile*. Oxford: Oxford University Press.
- Anriquez, G. and G. Bonomi (2007). Long-term farming trends. An inquiry using agricultural censuses. *ESA working paper* (07-20), 35.
- Ansell, B. and D. Samuels (2010). Inequality and Democratization: A Contractarian Approach. *Comparative Political Studies* 43(12), 1543–1574.
- Archer, R. (2007). *Why is there no Labor Party in the United States?* Princeton and Oxford: Princeton University Press.

- Arellano, J. P. (1985a). *Políticas Sociales y Desarrollo. Chile 1924-1984*. Santiago, Chile: CIEPLAN.
- Arellano, J. P. (1985b). Social Policies in Chile: an Historical Review. *Journal of Latin American Studies* 17(2), 397–418.
- Arellano, J. P. and M. Marfán (1989). Twenty-five Years of Fiscal Policy in Chile. In M. Urrutia, S. Ichimura, and S. Yukawa (Eds.), *The Political Economy of Fiscal Policy*, pp. 290–335. Hong Kong: United Nations University.
- Astorga, P., A. R. Berges, and V. Fitzgerald (2005). The standard of living in Latin America during the twentieth century. *Economic History Review* 63(4), 765–796.
- Atkinson, A. B. and A. Leigh (2007a). The Distribution of Top Incomes in Australia. In *Top Incomes over the Twentieth Century: A Contrast Between Continental European and English Speaking Countries*, Chapter 7, pp. 309–332. Oxford: Oxford University Press.
- Atkinson, A. B. and A. Leigh (2007b). The Evolution of Top Incomes in New Zealand. In A. B. Atkinson and T. Piketty (Eds.), *Top Incomes over the Twentieth Century: A Contrast Between Continental European and English Speaking Countries*, Chapter 8, pp. 333–364. Oxford: Oxford University Press.
- Atkinson, A. B. and T. Piketty (Eds.) (2007). *Top Incomes over the Twentieth Century: A Contrast Between Continental European and English Speaking Countries*. Oxford: Oxford University Press.
- Atkinson, A. B. and T. Piketty (Eds.) (2010). *Top Incomes: A Global Perspective*. Oxford: Oxford University Press.
- Atkinson, A. B. and J. Sjøgaard (2013). The long-run history of income inequality in Denmark: Top incomes from 1870 to 2010. *EPRU Working Paper Series*.

- Atkinson, A. B. and J. E. Stiglitz (1976). The Design of Tax Structure: Direct versus Indirect Taxation. *Journal of Public Economics* 6, 55–75.
- Atria, J. (Ed.) (2014). *Tributación en Sociedad*. Santiago: Uqbar Editores.
- Attard, B. (2012). The Economic History of Australia from 1788: An Introduction. *The Economic History Encyclopedia*.
- Australian Institute of Health and Welfare (2013). *S08: Life Expectancy*. <http://www.aihw.gov.au/australias-health-2010-data-tables/?id=6442475636>.
- Azar, P., M. Bertino, R. Bertoni, S. Fleitas, U. García Repetto, C. Sanguinetti, M. Sienra, and M. Torrelli (2009). *¿De quiénes, para quiénes y para qué? Las finanzas públicas en el Uruguay del siglo XX*. Montevideo: Fin de Siglo.
- Azar, P. and S. Fleitas (2012, January). Gasto Público Total y Social: El Caso de Uruguay en el Siglo XX. *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 30(01), 125–156.
- Azteni, M. and P. Ghigliani (2009). Trade Unionism in Argentina since 1945: The Limits of Trade Union Reformism. In C. Phelan (Ed.), *Trade Unionism since 1945: Towards a Global History. Volume 2: The Americas, Asia and Australia*, pp. 223–248. Bern: Peter Lang.
- Baer, J. A. (1998). Buenos Aires: Housing Reform and the Decline of the Liberal State in Argentina. In J. A. Baer and R. Pineo (Eds.), *Cities of Hope: People, Protests, and Progress in Urbanizing Latin America, 1870-1930*, pp. 129–152. Boulder, Colorado: Westview Press.
- Baer, J. A. and R. Pineo (1998). Introduction. In J. A. Baer and R. Pineo (Eds.), *Cities of Hope: People, Protests, and Progress in Urbanizing Latin America, 1870-1930*, pp. 1–14. Boulder, Colorado: Westview Press.

- Baldwin, P. (1999). *The Politics of Social Solidarity: Class Bases of the European Welfare State, 1875-1975*. Cambridge: Cambridge University Press.
- Baldwin, P. (2011). *The Narcissism of Minor Differences: How America and Europe are Alike*. Oxford and New York: Oxford University Press.
- Barcan, A. (1980). *A History of Australian Education*. Melbourne: Oxford University Press.
- Barraclough, S. L. and A. L. Domike (1966). Agrarian Structure in Seven Latin American Countries. *Land Economics* 42(4), 391–424.
- Baten, J. and M. Blum (2012). Growing Tall but Unequal: Biological Well-Being in World Regions and its Determinants, 1810-1989.
- Baten, J. and C. Mumme (2010, July). Globalization and educational inequality during the 18th to 20th centuries: Latin America in global comparison. *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 28(02), 279–305.
- Bates, R. H., A. Grief, M. Levi, J.-L. Rosenthal, and B. R. Weingast (1998). Introduction. In R. H. Bates, A. Grief, M. Levi, J.-L. Rosenthal, and B. R. Weingast (Eds.), *Analytic Narratives*, pp. 3–22. Princeton, New Jersey: Princeton University Press.
- Becker, G. S. and C. B. Mulligan (2003). Deadweight Costs and the Size of Government. *Journal of Law and Economics* 46(2), 293–340.
- Becker, S. O., F. Cinnirella, and L. Woessmann (2012). The Effect of Investment in Children's Education on Fertility in 1816 Prussia. *Cliometrica* 6, 29–44.
- Becker, S. O. and L. Woessmann (2009). Was Weber wrong? A Human Capital Theory of Protestant Economic History. *The Quarterly Journal of Economics* (May), 531–596.

- Belich, J. (2010). Exploding Wests: Boom and Bust in Nineteenth-Century Settler Societies. In J. Diamond and J. A. Robinson (Eds.), *Natural Experiments of History*, Chapter 2, pp. 53–87. Cambridge and London: The Belknap Press of Harvard University Press.
- Belich, J. (2011). *Replenishing the Earth: The Settler Revolution and the Rise of the Anglo-World, 1783-1939*. Oxford and New York: Oxford University Press.
- Bello (2014, 1st March). The going gets tougher. *The Economist*, 45.
- Bemberg, O. E. (1951). *El Proceso contra mi Familia*. New York.
- Bengoa, J. (1988). *Historia Social de la Agricultura Chilena. Volumen 1: El Poder y la Subordinación*. Santiago, Chile: Ediciones Sur.
- Bengtsson, E. (2012). *Labor's Share in Sweden, 1850-2000*. Gothenburg: University of Gothenburg.
- Bennett, J. (2004). *Rats and Revolutionaries: The Labour Movement in Australia and New Zealand, 1890-1940*. Dunedin, New Zealand: University of Otago Press.
- Bension, A. and J. Caumont (1979). *Política Económica y Distribución del Ingreso en el Uruguay 1970-1976*. Montevideo: Acali Editorial.
- Beramendi, P. and D. Rueda (2007). Social Democracy Constrained: Indirect Taxation in Industrialized Democracies. *British Journal of Political Science* 37(04), 619–641.
- Berg, P. (1933). Legislation on Labour Disputes in Norway. *International Labour Review* 28, 774–795.
- Bergman, M. (2009). *Tax Evasion and the Rule of Law in Latin America: the Political Culture of Cheating and Compliance in Argentina and Chile*. Pennsylvania: The Pennsylvania State University Press.

- Bértola, L. (2005). *A 50 años de la Curva de Kuznets: Crecimiento Económico y Distribución del Ingreso en Uruguay y otros Países de Nuevo Asentamiento desde 1870*. Instituto Laureano Figuerola de Historia Económica, Universidad Carlos III de Madrid.
- Bértola, L., C. Castelnovo, J. Rodríguez, and H. Willebald (2010). Between the colonial heritage and the first globalization boom: on income inequality in the Southern Cone. *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 28(02), 307–341.
- Bértola, L., C. Castelnovo, J. Rodríguez Weber, and H. Willebald (2009). Income Distribution in the Latin American Southern Cone during the First Globalization Boom and Beyond. *International Journal of Comparative Sociology* 50(5-6), 452–485.
- Beyer, H., P. Rojas, and R. Vergara (1999). Trade liberalization and wage inequality. *Journal of Development Economics* 59(1), 103–123.
- Bhagwati, J. (1988). *Protectionism*. Cambridge, Massachusetts: The MIT Press.
- Bhattacharyya, S. and J. G. Williamson (2009). *Commodity Price Shocks and the Australian Economy since Federation*. The Australian National University: Centre for Economic Policy Research.
- Bird, R. M. and P.-P. Gendron (2007). *The VAT in Developing and Transitional Countries*. Cambridge and New York: Cambridge University Press.
- Bird, R. M. and E. M. Zolt (2013). *Taxation and Inequality in the Americas: Changing the Fiscal Contract?* International Center for Public Policy: Georgia State University.
- Björkman, J. (2012). The right to a nice home: housing inspection in 1930s Stockholm. *Scandinavian Journal of History* 37(4), 461–481.

- Blackburn, K. (1996). The Living Wage in Australia: A Secularization of Catholic Ethics on Wages, 1891-1907. *The Journal of Religious History* 20(1), 93–113.
- Blomström, M. and P. Meller (1991). Issues for Development: Lessons from Scandinavian-Latin American Comparisons. In M. Blomström and P. Meller (Eds.), *Diverging Paths: Comparing a Century of Scandinavian and Latin American Economic Development*. Washington DC: Inter-American Development Bank.
- Bohlin, J. and S. Larsson (2007). The Swedish Wage-Rental Ratio and Its Determinants, 1877-1926. *Australian Economic History Review* 47(1), 49–72.
- Borge, L.-e. and J. Rattsø(1997). Local government grants and income tax revenue: Redistributive politics in Norway 1900-1990. *Public Choice* 92, 181–197.
- Bourguignon, F. and C. Morrisson (2002). Inequality among World Citizens : 1820-1992. *The American Economic Review* 92(4), 727–744.
- Boylan, D. M. (1996). Taxation and Transition: The Politics of the 1990 Chilean Tax Reform. *Latin American Research Review* 31(1), 7–31.
- Bralich, J. (1987). *Breve Historia de la Educación en el Uruguay*. Montevideo: CIEP/Ediciones del Nuevo Mundo.
- Brambilla, I., R. D. Carneiro, D. Lederman, and G. Porto (2011). Skills, Exports, and the Wages of Seven Million Latin American Workers. *Documento de Trabajo 119*. CEDLAS.
- Bräutigam, D. A. (2008). Introduction: taxation and state-building in developing countries. In D. A. Bräutigam, F. Odd-Helge, and M. Moore (Eds.), *Taxation and State-Building in Developing Countries: Capacity and Consent*, Chapter 1, pp. 1–33. Cambridge and New York: Cambridge University Press.
- Breen, R., H. G. van de Werfhorst, and M. M. Jaeger (2014). Deciding under Doubt: A

- Theory of Risk Aversion, Time Discounting Preferences, and Educational Decision-making. *European Sociological Review* 30(2), 258–270.
- Broberg, G. and N. Roll-Hansen (Eds.) (2005). *Eugenics and the Welfare State*. East Lansing, Michigan: Michigan State University Press.
- Brown, D. K. (2001). The Social Sources of Educational Credentialism: Status Cultures, Labor Markets, and Organizations. *Sociology of Education* 74(Extra Issue), 19–34.
- Buchanan, P. G. and K. Nicholls (2003). *Labour Politics in Small Open Democracies: Australia, Chile, Ireland, New Zealand, and Uruguay*. Basingstoke: Palgrave.
- Bulmer-Thomas, V. (2003). *The Economic History of Latin America since Independence*. Cambridge: Cambridge University Press.
- Burdin, G., F. Esponda, and A. Vigorito (2014). Desigualdad y sectores de altos ingresos en Uruguay: un análisis en base a registros tributarios y encuestas de hogares para el período 2009-2011. *Documentos de Trabajo. Instituto de Economía. Universidad de la República*.
- Bustos, S., M. Coscia, A. Simoes, M. A. Yildirim, R. Hausmann, and C. Hidalgo (2014). *The Atlas of Economic Complexity*. The MIT Press.
- Butlin, N. G. (1984). *Select Comparative Economic Statistics 1900-1940; Australia, Canada, Japan, UK and USA. Source Paper No 4*. Canberra: The Australian National University.
- Butlin, N. G., A. Barnard, and J. Pincus (1982). *Government and Capitalism*. Sydney: George Allen & Unwin Ltd.
- Camou, M. M. (2012). Desempeño Económico y Relaciones de Trabajo en la Industria Uruguaya: La Empresa Campomar, 1900-1960. *Ámerica Latina en la Historia Económica* 37, 69–97.

- Campante, F. and E. L. Glaeser (2009). Yet Another Tale of Two Cities. *NBER Working Paper No 1504*.
- Campbell, J. L. (1993). The State and Fiscal Sociology. *Annual Review of Sociology* 19, 163–85.
- Campos, N. F., F. Coricelli, and L. Moretti (2014). Economic Growth and Political Integration: Estimating the Benefits from Membership in the European Union Using the Synthetic Counterfactuals Method. Technical report, Centre for Economic Policy Research, London.
- Cantu, F. and S. M. Saiegh (2011). Fraudulent Democracy? An Analysis of Argentina's Infamous Decade Using Supervised Machine Learning. *Political Analysis* 19(4), 409–433.
- Carlson, B. A. (2001). Education and the labour market in Latin America. *ECLAC: Serie Desarrollo Productivo* 114.
- Carrière, J. (1981). *Landowners and Politics in Chile: a Study of the Sociedad Nacional de Agricultura, 1932-1970*. Amsterdam: Centrum voor Studie en Documentatie van Latijns-Amerika.
- Castelló-Climent, A. (2010). Channels Through Which Human Capital Inequality Influences Economic Growth. *Journal of Human Capital* 4(4), 394–450.
- Castles, F. G. (1985). *The Working Class and Welfare: Reflections on the Political Development of the Welfare State in Australia and New Zealand, 1890-1980*. Wellington: Allen & Unwin.
- Castles, F. G. (2003). Social Laboratory. In G. Davison, J. Hirst, and S. MacIntyre (Eds.), *The Oxford Companion to Australian History*. Oxford and New York: Oxford University Press.

- Castles, F. G. and J. Uhr (2005). Australia: Federal Constraints and Institutional Innovations. In H. Obinger, S. Leibfried, and F. G. Castles (Eds.), *Federalism and the Welfare State: New World and European Experiences*, Chapter 2, pp. 51–88. Cambridge and New York: Cambridge University Press.
- CEDLAS and The World Bank (2012). Socio-Economic Database for Latin America and the Caribbean. <http://sedlac.econo.unlp.edu.ar/eng/>.
- Centeno, M. A. (1997). Blood and Debt: War and Taxation in Nineteenth-Century Latin America. *The American Journal of Sociology* 102(6), 1565–1605.
- Centeno, M. A. (2002). *Blood and Debt: War and the Nation-State in Latin America*. Pennsylvania: The Pennsylvania State University Press.
- Centeno, M. A. and A. E. Ferraro (Eds.) (2013). *State and Nation Making in Latin America and Spain: Republics of the Possible*. New York: Cambridge University Press.
- Centeno, M. A. and A. Portes (2006). The Informal Economy in the Shadow of the State. In P. Fernández-Kelly and J. Shefner (Eds.), *Out of the Shadows: Political Action and the Informal Economy in Latin America*, Chapter 1, pp. 23–48. Pennsylvania State University Press.
- Central Bureau of Statistics of Norway (1978). *Historisk Statistikk*. Oslo.
- Central Bureau of Statistics of Norway (Various years). *Statistiske Oversikter*. Oslo.
- Cetrángolo, O. and J. C. Gómez Sabaini (2010). Tax Policy in Argentina: Between Solvency and Emergency. In R. H. Gordon (Ed.), *Taxation in Developing Countries: Six Case Studies and Policy Implications*, Chapter 3, pp. 62–108. New York: Columbia University Press.
- Cheibub, J. A. (1998). Political Regimes and Extractive Capacity of Governments: Taxation in Democracies and Dictatorships. *World Politics* 50(3), 349–376.

- Chu, K.-Y., H. Davoodi, and S. Gupta (2004). Income Distribution and Tax and Government Social-Spending Policies in Developing Countries. In G. A. Cornia (Ed.), *Inequality, Growth, and Poverty in an Era of Liberalization and Globalization*, pp. 249–270. Oxford: Oxford University Press.
- Cingano, F. (2014). Trends in Income Inequality and its Impact on Economic Growth. *OECD Social, Employment and Migration Working Papers* (163).
- Coatsworth, J. H. (2008). Inequality, Institutions and Economic Growth in Latin America. *Journal of Latin American Studies* 40(03), 545–569.
- Collier, D. and R. E. Messick (1975). Prerequisites Versus Diffusion: Testing Alternative Explanations of Social Security Adoption. *The American Political Science Review* 69(4), 1299–1315.
- Collier, P. (2008). *The Bottom Billion: Why the Poorest Countries are Failing and What can be Done about it*. Oxford: Oxford University Press.
- Collier, R. B. (2006). *Paths Toward Democracy: the Working Class and Elites in Western Europe and South America*. Cambridge: Cambridge University Press.
- Colpan, A. M. and T. Hikino (2010). Foundations of Business Groups: Towards an Integrated Framework. In A. M. Colpan, T. Hikino, and J. R. Lincoln (Eds.), *The Oxford Handbook of Business Groups*, Chapter 2, pp. 15–66. Oxford: Oxford University Press.
- Commonwealth Bureau of Census and Statistics (1911). *Official Year Book of the Commonwealth of Australia 1901-1911*. Melbourne.
- Commonwealth Bureau of Census and Statistics (1921). *Official Year Book of the Commonwealth of Australia 1901-1920*. Melbourne.
- Commonwealth Bureau of Census and Statistics (1929). *Official Year Book of the Commonwealth of Australia*. Melbourne.

- Commonwealth Bureau of Census and Statistics (1951). *Official Year Book of the Commonwealth of Australia*. Melbourne.
- Commonwealth Bureau of Census and Statistics (Various years). *Official Year Book of the Commonwealth of Australia*. Melbourne.
- Conceição, P. and J. K. Galbraith (2000). Constructing Long and Dense Time-Series of Inequality Using the Theil Index. *Eastern Economic Journal* 26(1), 61–74.
- Conceição, P., J. K. Galbraith, and P. Bradford (2001). The Theil Index in Sequences of Nested and Hierarchic Grouping Structures: Implications for the Measurement of Inequality through Time, with Data Aggregated at Different Levels of Industrial Classification. *Eastern Economic Journal* 27(4), 491–514.
- Condliffe, J. (1924). Experiments in State Control in New Zealand. *International Labour Review* (9), 334–360.
- Correa, S. (2005). *Con las riendas del poder: la derecha chilena en el siglo XX*. Sudamericana.
- Cortes, R. and A. Marshall (1993). State social intervention and labour regulation: the case of the Argentine. *Cambridge Journal of Economics* 17, 391–408.
- Cortés Conde, R. (2003). Las Vicisitudes de una Economía Exportadora, Argentina 1875-1930. In E. Cárdenas, J. A. Ocampo, and R. Thorp (Eds.), *La Era de las Exportaciones Latinoamericanas: de fines del siglo XIX a principios del XX*, pp. 360–417. Ciudad de México: Fondo de Cultura Económica.
- Cortés Conde, R. (2006). Fiscal and Monetary Regimes. In V. Bulmer-Thomas, J. H. Coatsworth, and R. Cortés Conde (Eds.), *The Cambridge Economic History of Latin America. Volume 2: The Long Twentieth Century*, Chapter 6, pp. 209–247. Cambridge: Cambridge University Press.

- Cousiño, C. (2001). Populism and Political Radicalism During The Unidad Popular Government. *Estudios Públicos* 82, 1–14.
- Cousiño, C. and E. Valenzuela (2012). *Politización y Monetización en América Latina*. Santiago, Chile: Instituto de Estudios de la Sociedad.
- Crouch, C. (1994). *Industrial Relations and European State Traditions*. Oxford: Oxford University Press.
- Dahl, R. A. (2005). *Who Governs? Democracy and Power in an American City*. New Haven and London: Yale University Press.
- Davidson, A. (1989). *Two Models of Welfare: The Origins and Development of the Welfare State in Sweden and New Zealand, 1888-1988*. Uppsala: Almqvist and Wiksell International.
- Davis, T. E. (1963). Eight Decades of Inflation in Chile, 1879-1959: A Political Interpretation. *Journal of Political Economy* 71(4), 389–397.
- de Ferranti, D., G. E. Perry, F. H. Ferreira, and M. Walton (2004). *Inequality in Latin America: Breaking with History?* Washington DC: The World Bank.
- de la Croix, D., T. Lindh, and B. Malmberg (2008). Swedish economic growth and education since 1800. *Canadian Journal of Economics* 41(1), 166–185.
- de Oliveira, O. and B. Roberts (1994). Urban Growth and Urban Social Structure in Latin America, 1930-1990. In L. Bethell (Ed.), *The Cambridge History of Latin America, Volume 6. Part I*, Chapter 5, pp. 253–324. Cambridge: Cambridge University Press.
- Dell, M. (2010). The Persistent Effects of Peru's Mining Mita. *Econometrica* 78(6), 1863–1903.
- Denoon, D. (1983). *Settler capitalism: the dynamics of dependent development in the Southern Hemisphere*. Oxford and New York: Oxford University Press.

- di Tella, G. (1992). El Impacto Inmigratorio sobre el Sistema Político Argentino. In J. R. Jorrat and R. Sautu (Eds.), *Después de Germani: Exploraciones sobre estructura social de la Argentina*, pp. 86–104. Buenos Aires: Paidós.
- di Tella, G. and D. Platt (Eds.) (1985). *Argentina, Australia and Canada: Studies in Comparative Development 1870-1965*. London and Basingstoke: Macmillan.
- Diamond, J. and J. Robinson (2010). *Natural Experiments of History*. Cambridge, Massachusetts: The Belknap Press of Harvard University Press.
- Díaz, J., R. Lüders, and G. Wagner (2010). *La República en Cifras*. Santiago, Chile: EH Clio Lab-Iniciativa Científica Milenio. <http://www.economia.puc.cl/cliolab>.
- DiPrete, T. A. (2007). What Has Sociology to Contribute to the Study of Inequality Trends? A Historical and Comparative Perspective. *American Behavioral Scientist* 50(5), 603–618.
- Dobado González, R. and H. García Montero (2010). Colonial Origins of Inequality in Hispanic America? Some Reflections Based on New Empirical Evidence. *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 28(02), 253–277.
- Dolan, K. A. and L. Kroll (2014). Billionaires List. <http://www.forbes.com/sites/luisakroll/2014/03/03/inside-the-2014-forbes-billionaires-list-facts-and-figures/>.
- Dornbusch, R. and S. Edwards (1991). The Macroeconomics of Populism in Latin America. In R. Dornbusch and S. Edwards (Eds.), *The Macroeconomics of Populism in Latin America*, pp. 7–13. Chicago: University of Chicago Press.
- Dosman, E. J. (2010). *The Life and Times of Raúl Prebisch, 1901-1986*. Montreal & Kingston: McGill-Queen's University Press.
- Drake, P. W. (1978). *Socialism and Populism in Chile, 1932-1952*. Urbana: University of Illinois Press.

- Drake, P. W. (1996). *Labor Movements and Dictatorships: the Southern Cone in comparative perspective*. Baltimore and London: John Hopkins University Press.
- Drake, P. W. (2012). Chile's Populism Reconsidered, 1920s-1990s. In M. L. Conniff (Ed.), *Populism in Latin America*, pp. 71–85. Tuscaloosa: Alabama: University of Alabama Press.
- Ebner, A. (2006). Institutions, entrepreneurship, and the rationale of government: An outline of the Schumpeterian theory of the state. *Journal of Economic Behavior & Organization* 59(4), 497–515.
- Edebalk, G. and M. Olsson (2010). Poor Relief, Taxes and the First Universal Pension Reform: the Origin of the Swedish Welfare State Reconsidered. *Scandinavian Journal of History* 35(4), 391–402.
- Edvinsson, R. (2004). *Historical National Accounts for Sweden 1800-200*. Department of Economic History, Stockholm University.
- Edwards, A. ((1928) 2003). *La Fronda Aristocrática en Chile*. Santiago, Chile: Editorial Universitaria.
- Edwards, S. (2010). *Left Behind: Latin America and the False Promise of Populism*. Chicago: University of Chicago Press.
- Eichengreen, B. and T. Iversen (1999). Institutions and economic performance: evidence from the labour market. *Oxford Review of Economic Policy* 15(4), 121–138.
- Einhorn, E. S. and J. Logue (1989). *Modern Welfare States: Politics and Policies in Social Democratic Scandinavia*. New York and London: Praeger.
- El Mercurio (1914). *Nuestro Estado Sanitario*. Santiago, Chile.
- Elvander, N. (2003). Two Labour Market Regimes in Sweden: A Comparison Between the Saltsjöbaden Agreement of 1938 and the Industrial Agreement of 1997. *Industrielle Beziehungen* 10(1), 146–159.

- Encyclopaedia Britannica Online (2014). *Organized Labour*. <http://www.britannica.com/EBchecked/topic/432094/organized-labour/66938/Compulsory-arbitration-and-union-growth-in-Australasia>.
- Engel, E. M., A. Galetovic, and C. E. Raddatz (1999). Taxes and income distribution in Chile: some unpleasant redistributive arithmetic. *Journal of Development Economics* 59(1), 155–192.
- Engerman, S. L., E. V. Mariscal, and K. L. Sokoloff (2009). The Evolution of Schooling in the Americas. In *Human Capital and Institutions: A Long Run View*, pp. 93–142. Cambridge and New York: Cambridge University Press.
- Erichsen, E. (1932a). Scandinavian Employers and Collective Labour Agreements: I. *International Labour Review* 26, 676–692.
- Erichsen, E. (1932b). Scandinavian Employers and Collective Labour Agreements: II. *International Labour Review* 26, 826–840.
- Erickson, L. and D. Vollrath (2004). Dimensions of Land Inequality and Economic Development. *IMF Working Papers* 04(158), 1.
- Errandonea, A. and D. Costabile (1969). *Sindicato y Sociedad en el Uruguay*. Montevideo: Biblioteca de Cultura Universitaria.
- Esping-Andersen, G. (1988). *Politics against Markets: The Social Democratic Road to Power*. Princeton and Oxford: Princeton University Press.
- Esping-Andersen, G. (1991). *The Three Worlds of Welfare Capitalism*. Princeton and Oxford: Princeton University Press.
- Esping-Andersen, G. (2007). Sociological Explanations of Changing Income Distributions. *American Behavioral Scientist* 50(5), 639–658.
- Eusepi, G. (2006). Public finance and welfare: From the ignorance of the veil to the veil of ignorance. *Journal of Economic Behavior & Organization* 59(4), 460–477.

- Fahlbeck, R. (2002). Industrial Relations and Collective Labour Law: Characteristics, Principles and Basic Features. *Scandinavian Studies in Law* 43, 87–133.
- Fairfield, T. and M. Jorratt (2014). Top Income Shares, Business Profits, and Effective Tax Rates in Contemporary Chile. *ICTD Working Paper* (January).
- FAO (1955). *Report on the 1950 World Census of Agriculture Volume 1*. Rome: United Nations.
- Faundez, J. (2007). *Democratization, Development, and Legality: Chile, 1831-1973*. Basingstoke and New York: Palgrave-Macmillan.
- Finch, M. H. J. (1981). *A Political Economy of Uruguay since 1870*. London and Basingstoke: Macmillan.
- Findlay, S. J. (1921). Industrial Peace in New Zealand. *International Labour Review* 4, 32–46.
- Firebaugh, G. (1999). Empirics of World Income Inequality. *The American Journal of Sociology* 104(6), 1597–1630.
- Flora, P., R. Eichenberg, J. Alber, J. Kohl, F. Kraus, W. Pfenning, and K. Seeborn (1987). *State, economy, and society in Western Europe 1815-1975: a Data Handbook in Two Volumes*. Frankfurt and London: Campus Verlag and Macmillan.
- Flores, G. (2011). *Top Incomes in Chile 1960-1980: An Improved Estimate*. Harvard College.
- Foenander, O. d. R. (1929). The New Conciliation and Arbitration Act in Australia. *International Labour Review* 19(2), 151–174.
- Foxley, A. and O. Muñoz (1974). Income Redistribution, Economic Growth and Social Structure. *Oxford Bulletin of Economics and Statistics* 36(1), 21–44.

- Fracchia, E., L. Mesquita, and J. Quiroga (2010). Business Groups in Argentina. In A. M. Colpan, T. Hikino, and J. R. Lincoln (Eds.), *The Oxford Handbook of Business Groups*, pp. 325–352. Oxford: Oxford University Press.
- Frankema, E. (2010a). Reconstructing labor income shares in Argentina, Brazil and Mexico, 1870-2000. *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 28(02), 343–374.
- Frankema, E. (2010b). The colonial roots of land inequality: geography, factor endowments, or institutions? *The Economic History Review* 63(2), 418–451.
- Frankema, E. (2010c). The Expansion of Mass Education in Twentieth Century Latin America: A Global Comparative Perspective. *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 27(03), 359–396.
- Frankema, E. (2011). Industrial Wage Inequality in Latin America in Global Perspective, 1900 - 2000. *Studies in Comparative International Development*.
- Fredriksson, N. (1923). Vocational Education in Stockholm. *International Labour Review* 7, 1–13.
- Free Exchange (2014, 1st March). Inequality v growth. *The Economist*, 80.
- Fukuyama, F. (Ed.) (2008). *Falling Behind: Explaining the Development Gap between Latin America and the United States*. Oxford and New York: Oxford University Press.
- Fukuyama, F. (2012). *The Origins of Political Order: From Prehuman Times to the French Revolution*. New York: Farrar, Straus and Giroux.
- Galenson, W. (1969). *The Danish System of Labor Relations: A Study in Industrial Peace*. New York: Russell & Russell.
- Galenson, W. (1970). *Labor in Norway*. New York: Russell & Russell.

- Galiani, S. and P. Gerchunoff (2003). The Labor Market. In G. della Paolera and A. M. Taylor (Eds.), *A New Economic History of Argentina*, Chapter 5, pp. 122–169. Cambridge and London: Cambridge University Press.
- Gallo, C. (2008). Tax bargaining and nitrate exports: Chile 1880-1930. In D. A. Bräutigam, O.-H. Fjeldstad, and M. Moore (Eds.), *Taxation and State-Building in Developing Countries: Capacity and Consent*, Chapter 7, pp. 160–182. Cambridge and New York: Cambridge University Press.
- Gambetta, D. (1987). *Were they pushed or did they jump? Individual decision mechanisms in education*. Cambridge: Cambridge University Press.
- Gasparini, L., G. Cruces, L. Tornarolli, and M. Marchionni (2009). A Turning Point? Recent Developments on Inequality in Latin America and the Caribbean. In *Documento de Trabajo N 81*, Documento de Trabajo, La Plata. Centro de Estudios Distributivos, Laborales y Sociales, Universidad Nacional de la Plata.
- Gasparini, L., M. Horenstein, E. Molina, and S. Olivieri (2008). *Polarización Económica, Instituciones y Conflicto: Dinámicas de la Cohesión Social Latinoamericana*. Santiago, Chile: Uqbar Editores.
- Gaudio, R. and J. Pilone (1976). *Estado y Relaciones Obrero-Patronales en los Orígenes de la Negociación Colectiva en Argentina*. Buenos Aires: Centro de Estudios de Estado y Sociedad.
- Gelman, J. and D. Santilli (2006). *Historia del Capitalismo Agrario Pampeano. Tomo 3: De Rivadavia a Rosas. Desigualdad y Crecimiento Económico*. Buenos Aires: Siglo XXI.
- Gerdrup, K. R. (1998). Skattesystem og skattestatistikk i et historisk perspektiv. Technical report, Statistics Norway, Oslo.

- Gerring, J. (2007). *Case Study Research: Principle and Practices*. Cambridge and New York: Cambridge University Press.
- Gilbert, J. H. (1943). *The Tax Systems of Australasia*. Eugene, Oregon: University of Oregon Publications.
- Goñi, E., J. H. López, and L. Servén (2008). Fiscal Redistribution and Income Inequality in Latin America. *Policy Research Working Paper. The World Bank*.
- Goldin, C. (2001). The Human-Capital Century and American Leadership: Virtues of the Past. *The Journal of Economic History* 61(2), 263–292.
- Goldin, C. and L. F. Katz (2008). *The Race between Education and Technology*. Cambridge and London: The Belknap Press of Harvard University Press.
- Goldstone, J. A. (2010). The New Population Bomb. *Foreign Affairs* 89(1), 31–43.
- Goldthorpe, J. H. (1991). The uses of history in sociology. *The British Journal of Sociology* 42(2), 211–230.
- Goldthorpe, J. H. (1997). Current Issues in Comparative Macrosociology: A Debate on Methodological Issues. *Comparative Social Research* 16, 1–26.
- Goldthorpe, J. H. (2007). *On Sociology. Volume 2: Illustration and Retrospect*. Stanford, California: Stanford University Press.
- Gorski, P. S. (2003). *The Disciplinary Revolution: Calvinism and the Rise of the State in Early Modern Europe*. Chicago: University of Chicago Press.
- Gottschalk, P. and T. M. Smeeding (2000). Empirical Evidence on Income Inequality in Industrialized Countries. In A. B. Atkinson and F. Bourguignon (Eds.), *Handbook of Income Distribution, Volume 1*, Volume 1, Chapter 5, pp. 261–307. Amsterdam and Oxford: Elsevier.

- Greasley, D. and L. Oxley (2000). Outside the Club: New Zealand's economic growth, 1870-1993. *International Review of Applied Economics* 14(2), 173–192.
- Gregory, P. (1967). *Industrial Wages in Chile*. Ithaca, New York: Cornell University.
- Greissing, C. (2000). Conflictos y tensiones en el debate por la educación durante el Centenario. In G. Caetano (Ed.), *Los Uruguayos del Centenario: Nación, ciudadanía, religión y educación (1910-1930)*, Chapter 2, pp. 69–137. Montevideo: Taurus.
- Gustafsson, B. and M. Johansson (1999). In Search of Smoking Guns : What Makes Income Inequality Vary over Time in Different Countries? *American Sociological Review* 64(4), 585–605.
- Gustafsson, B. and M. Johansson (2003). Steps toward equality: How and why income inequality in urban Sweden changed during the period 1925-1958. *European Review of Economic History* 7, 191–211.
- Haber, S. (2010). Politics, Banking, and Economic Development: Evidence from New World Economies. In J. Diamond and J. Robinson (Eds.), *Natural Experiments of History*. Cambridge, Massachusetts: The Belknap Press of Harvard University Press.
- Haggard, S. and R. R. Kaufman (2008). *Development, Democracy, and Welfare States: Latin America, East Asia, and Eastern Europe*. Princeton and Oxford: Princeton University Press.
- Hall, P. A. and D. W. Soskice (Eds.) (2001). *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.
- Hansson, S. (1923). The Trade Union Movement in Sweden. *International Labour Review* 7(4), 481–506.
- Hanushek, E. A. and L. Woessmann (2012). Schooling, educational achievement, and the Latin American growth puzzle. *Journal of Development Economics* 99, 497–512.

- Hao, L. and D. Q. Naiman (2010). *Assessing Inequality*. Thousand Oaks, California: SAGE.
- Harberger, A. C. (1989). Lessons of Tax Reform from the Experiences of Uruguay, Indonesia, and Chile. In M. Gillis (Ed.), *Tax Reform in Developing Countries*, pp. 27–43. Durham and London: Duke University Press.
- Hasselbalch, O. (2005). *Labour Law in Denmark*. The Hague: Kluwer Law International.
- Hastings, A. (1997). *The Construction of Nationhood: Ethnicity, Religion and Nationalism*. Cambridge: Cambridge University Press.
- Heidenheimer, A. J. (2003). Education and Social Security Entitlements in Europe and America. In P. Flora and A. J. Heidenheimer (Eds.), *The Development of Welfare States in Europe and America*, Chapter 8, pp. 269–304. New Brunswick and London: Transaction Publishers.
- Herschel, F. J. (1977). Fiscal Policy and Integrated Development. *Cepal Review* 2, 67–112.
- Himmelfarb, G. (1996). *The De-Moralization of Society: From Victorian Virtues to Modern Values*. Vintage.
- Himmelfarb, G. (2008). *The Roads to Modernity*. London: Vintage.
- Hirschman, A. O. (1978). Exit, Voice, and the State. *World Politics* 31(1), 90–107.
- Hjalmarsson, L. (1991). The Scandinavian Model of Industrial Policy. In M. Blomström and P. Meller (Eds.), *Diverging Paths: Comparing a Century of Scandinavian and Latin American Economic Development*, Chapter 10, pp. 245–263. Washington DC: Inter-American Development Bank.
- Hoffman, K. and M. A. Centeno (2003). The Lopsided Continent: Inequality in Latin America. *Annual Review of Sociology* 29(1), 363–390.

- Hofman, A. A. (2000). *The Economic Development of Latin America in the Twentieth Century*. London: Edward Elgar.
- Högfeldt, P. (2005). The History of Politics and Corporate Ownership in Sweden. In R. K. Morck (Ed.), *A History of Corporate Governance Around the World*, Chapter 9, pp. 517–580. Chicago and London: The University of Chicago Press.
- Högnäs, S. (2001). The Concept of Bildung and the Education of the Citizen: Traits and Developments in the Nordic Countries, 1870-2000. In S. Ahonen and J. Rantala (Eds.), *Norden Lights: Education for Nation and Civic Society in the Nordic Countries, 1850-2000*, pp. 29–50. Helsinki: Finish Literature Society.
- Hora, R. (2001). *The Landowners of the Argentine Pampas: A Social and Political History*. Oxford: Clarendon Press.
- Horowitz, J. (1990). *Argentine Unions, The State & The Rise of Peron, 1930-1945*. Berkeley, Los Angeles: University of California Press.
- Horowitz, J. (1995). Argentina's Failed General Strike of 1921: A Critical Moment in the Radicals' Relations with Unions. *The Hispanic American Historical Review* 75(1), 57–79.
- Horowitz, J. (2008). *Argentina's Radical Party and Popular Mobilization, 1916-1930*. Pennsylvania: The Pennsylvania State University Press.
- Huber, E. and F. Solt (2004). Successes and Failures of Neoliberalism. *Latin American Research Review* 39(3), 150–164.
- Huppes, T. (1982). Anomie and inflation. In *Economics and Sociology: Towards an Integration*, pp. 128–160. Leiden: Springer Science.
- Hutchison, E. Q. (2001). From "La Mujer Esclava" to "La Mujer Limon": anarchism and the politics of sexuality in early-twentieth-century Chile. *The Hispanic American Historical Review* 81(3-4), 519–53.

- INDEC (Various years). *Encuesta Permanente de Hogares*. Buenos Aires: Instituto Nacional de Estadísticas y Censos.
- INE Chile (Various years). *Encuesta de Caracterización Socioeconómica*. Santiago: Instituto Nacional de Estadísticas, Chile.
- INE Uruguay (Various years). *Encuesta Continua de Hogares*. Montevideo: Instituto Nacional de Estadísticas, Uruguay.
- Infante, M. I. (Ed.) (2000). *Alfabetismo Funcional en siete Países de América Latina*. Santiago, Chile: UNESCO.
- Ingham, G. (1974). *Strikes and Industrial Conflict*. London and Basingstoke: Macmillan.
- Ingham, G. (2008). *Capitalism*. Cambridge: Cambridge University Press.
- International Labor Office (Various Years). *Year-book of Labour Statistics*. Geneva.
- International Labour Office (2012). *LABORSTA*. Geneva. <http://laborsta.ilo.org>.
- Iversen, T. (2006). *Capitalism, Democracy, and Welfare*. Cambridge: Cambridge University Press.
- Iversen, T. and J. D. Stephens (2008). Partisan Politics, the Welfare State, and Three Worlds of Human Capital Formation. *Comparative Political Studies* 41(4-5), 600–637.
- Jain, S. (1975). *Size Distribution of Income: A Compilation of Data*. Washington DC: World Bank.
- Jansen, R. S. (2011). Populist Mobilization: A New Theoretical Approach to Populism. *Sociological Theory* 29(2), 75–96.
- Japp, K. P. and I. Kusche (2008). Systems Theory and Risk. In J. O. Zinn (Ed.), *Social Theories of Risk and Uncertainty: An Introduction*, pp. 76–105. Oxford: Blackwell.

- Jaúregui, A. (2004). *Brasil, Argentina: Los empresarios industriales, 1920-1955*. Buenos Aires: Imago Mundi.
- Jespersen, L. (2000). The Constitutional and Administrative Situation. In L. Jespersen (Ed.), *A Revolution from Above? The Power State of 16th and 17th Century Scandinavia*, Chapter 2, pp. 31–182. Odense: Odense University Press.
- Johansson, E. (2009). The History of Literacy in Sweden. In H. J. Graff, A. Mackinnon, B. Sandin, and I. Winchester (Eds.), *Understanding Literacy in its Historical Contexts: Socio-Cultural History and the Legacy of Egil Johansson*, pp. 28–59. Lund, Sweden: Nordic Academic Press.
- Jones, C. (1985). The Fiscal Motive for Monetary and Banking Legislation in Argentina, Australia and Canada before 1914. In D. Platt and G. di Tella (Eds.), *Argentina, Australia and Canada: Studies in Comparative Development 1870-1965*, pp. 123–138. London and Basingstoke: Macmillan.
- Kaelble, H. and M. Thomas (1991). Introduction. In Y. Brenner, H. Kaelble, and M. Thomas (Eds.), *Income distribution in historical perspective*, Chapter 1, pp. 1–56. Cambridge: Cambridge University Press.
- Kahl, S. (2005). The Religious Roots of Modern Poverty Policy: Catholic, Lutheran, and Reformed Protestant Traditions Compared. *European Journal of Sociology* 46(1), 91–126.
- Kaplow, L. (2008). *The Theory of Taxation and Public Economics*. Princeton and Oxford: Princeton University Press.
- Kaspersen, L. B. and J. Lindvall (2008). Why No Religious Politics? The Secularization of Poor Relief and Primary Education in Denmark and Sweden. *European Journal of Sociology* 49(1), 119–143.

- Kato, J. (2003). *Regressive taxation and the welfare state: path dependency and policy diffusion*. Cambridge: Cambridge University Press.
- Keifman, S. N. and R. Maurizio (2012). Changes in Labour Market Conditions and Policies: Their Impact on Wage Inequality during the Last Decade. In *Working Paper N 14*. United Nations University.
- Kiel, A. and L. Mjose (1993). Wage Formation in the Norwegian Industry 1840-1985. In K. G. Persson (Ed.), *The Economic Development of Denmark and Norway since 1870*, Chapter 19, pp. 461–491. Alderhorst & Brookfield: Edward Elgar.
- Kim, H. and S. Pfaff (2012). Structure and Dynamics of Religious Insurgency: Students and the Spread of the Reformation. *American Sociological Review* 77(2), 188–215.
- Korpi, W. (1983). *The Democratic Class Struggle*. London: Routledge and Kegan Paul.
- Korpi, W. and J. Palme (1998). The Paradox of Redistribution and Strategies of Equality : Welfare State Institutions , Inequality , and Poverty in the Western Countries. *American Sociological Review* 63(5), 661–687.
- Kraus, F. (2003). The Historical Development of Income Inequality in Western Europe and the United States. In P. Flora and A. J. Heidenheimer (Eds.), *The Development of Welfare States in Europe and America*, Chapter 6, pp. 187–236. New Brunswick and London: Transaction Publishers.
- Krugman, P. (2013). The Death of High Inflation. *The New York Times: The Opinion Pages*. http://krugman.blogs.nytimes.com/2013/07/23/the-death-of-high-inflation/?_r=0.
- Kuhnle, S. and A. Sander (2010). The Emergence of the Western Welfare State. In F. G. Castles, S. Leibfried, J. Lewis, H. Obinger, and C. Pierson (Eds.), *Oxford Handbook of Welfare Regimes*, Volume 1, pp. 61–80. Oxford, England: Oxford University Press.

- Kuznets, S. (1955). Economic Growth and Income Inequality. *The American Economic Review* 45(1), 1–28.
- Lachmann, R. (2013). *What is Historical Sociology?* Cambridge: Polity Press.
- Lamas, M. D. and D. E. Piotti (1981). *Historia de la Industria en el Uruguay, 1730-1980*. Montevideo: Cámara de Industrias del Uruguay.
- Lapidus, J. (2013). Why Such a Permissive Attitude towards Monopolistic Associations?: Social Democracy up to the first Swedish law on Cartels in 1925. *Scandinavian Journal of History* 38(1), 65–88.
- Larrañaga, O. J. (2010). El Estado de Bienestar en Chile: 1910-2010. In R. Lagos (Ed.), *Cien Años de Luces y Sombras*. Santiago, Chile: Taurus.
- Larrain, F. and P. Meller (1991). The Socialist-Populist Chilean Experience, 1970-1973. In R. Dornbusch and S. Edwards (Eds.), *The Macroeconomics of Populism in Latin America*, Number January, Chapter 7, pp. 175–221. Chicago: University of Chicago Press.
- Lavrin, A. (1998). *Women, Feminism, and Social Change in Argentina, Chile, and Uruguay, 1890-1940*. Lincoln and London: University of Nebraska Press.
- Leamer, E. E., H. Maul, S. Rodriguez, and P. K. Schott (1999, June). Does natural resource abundance increase Latin American income inequality? *Journal of Development Economics* 59(1), 3–42.
- Lederman, L. (2003). The Interplay Between Norms and Enforcement in Tax Compliance. *Ohio State Law Journal* 64(6), 1453–1514.
- Lee, G. (1978). Inflation Personal Income Taxation and The Distribution of Income. *Monograph Series: Committee for Economic Development of Australia* 55.

- Lefort, F. (2010). Business Groups in Chile. In A. M. Colpan, T. Hikino, and J. R. Lincoln (Eds.), *The Oxford Handbook of Business Groups*, pp. 387–423. Oxford: Oxford University Press.
- Leigh, A. (2013). *Battlers and Billionaires: the Story of Inequality in Australia*. Collingwood, Victoria: Black Inc.
- Lemieux, T. (2006). Increasing Residual Wage Inequality: Composition Effects, Noisy Data, or Rising Demand for Skill? *The American Economic Review* 96(3), 461–498.
- Leone, V. (2000). Manuales escolares e imaginario social en el Uruguay del Centenario. In G. Caetano (Ed.), *Los Uruguayos del Centenario: Nación, Ciudadanía, Religión y Educación (1910-1930)*, Chapter 3, pp. 141–215. Montevideo: Taurus.
- Levi, M. (1988). *Of Rule and Revenue*. Berkeley and Los Angeles, California: University of California Press.
- Lewis, C. (1993). Social Insurance: Ideology and Policy in the Argentine, c.1920-66. In C. Abel and C. Lewis (Eds.), *Welfare, Poverty and Development in Latin America*, pp. 175–200. London: Macmillan.
- Lewis, C. and P. Lloyd-sherlock (2002). *Social Insurance Regimes: crises and reform* in the Argentine and Brazil, since c . 1900. Department of Economic History, London School of Economics.
- Lewis, C. and A. H. Mitchell (2008). Fiscal Credibility, Public Good and the Budget: The Struggle over Federal Taxing and Spending in the Argentine during the late Twentieth Century. In D. Sánchez-Ancochea and I. Morgan (Eds.), *The Political Economy of the Public Budget in the Americas*. London: Institute for the Study of the Americas.
- Lieberman, E. S. (2003). *Race and Regionalism in the Politics of Taxation in Brazil and South Africa*. Cambridge: Cambridge University Press.

- Lindert, P. H. (1987). Who Owned Victorian England?: The Debate Over Landed Wealth and Inequality. *Agricultural History* 61(4), 25–51.
- Lindert, P. H. (2005). *Growing Public: Social Spending and Economic Growth Since the Eighteenth Century. Volume 2: Further Evidence*. Cambridge and New York: Cambridge University Press.
- Lindert, P. H. (2007). *Growing Public: Social Spending and Economic Growth since the Eighteenth Century. Vol 1: the Story*. Cambridge: Cambridge University Press.
- Lindert, P. H. (2010). The unequal lag in Latin American schooling since 1900: follow the money. *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 28(02), 375–405.
- Lingarde, S. and A. Tylecote (1999). Resource-rich countries' success and failure in technological ascent, 1870-1970: The Nordic countries versus Argentina, Uruguay and Brazil. *The Journal of European Economic History* 28(1), 77–112.
- Ljungberg, J. and A. Nilsson (2008). Human capital and economic growth: Sweden 1870-2000. *Cliometrica* 3(1), 71–95.
- Long, N. and B. Roberts (1994). The Agrarian Structures of Latin America, 1930-1990. In L. Bethell (Ed.), *The Cambridge History of Latin America, Volume 6*, Chapter 6, pp. 325–390. Cambridge: Cambridge University Press.
- Lopez-Alves, F. (1989). Political crises, strategic choices, and terrorism: The rise and fall of the Uruguayan Tupamaros. *Terrorism and Political Violence* 1(2), 202–241.
- López-Alves, F. (2000). *State Formation and Democracy in Latin America, 1810-1900*. Durham and London: Duke University Press.
- López-Alves, F. (2001). The Transatlantic Bridge: Mirrors, Charles Tilly, and State Formation in the River Plate. In M. A. Centeno and F. López-Alves (Eds.), *The Other*

- Mirror: Grand Theory Through the Lens of Latin America*, pp. 153–176. Princeton and Oxford: Princeton University Press.
- López-Alves, F. (2002). State Reform and Welfare in Uruguay, 1890-1930. In J. Dunkerley (Ed.), *Studies in the Formation of the Nation State in Latin America*, pp. 94–111. London: Institute of Latin American Studies.
- Lucas, S. R. and A. Szatrowski (2014). Qualitative Comparative Analysis in Critical Perspective. *Sociological Methodology* 44(1), 1–79.
- Luhmann, N. (1990). *Political Theory in the Welfare State*. Berlin: Walter de Gruyter.
- Lundh, C. and M. Olsson (2011). Contract-Workers in Swedish Agriculture, c.1890s-1930s: a comparative study of standard of living and social status. *Scandinavian Journal of History* 36(3), 298–323.
- Lustig, N., M. Bucheli, S. Higgins, C. Pereira, M. Rossi, F. Amabile, G. Gray Molina, M. Jaramillo, V. P. Arauco, C. Pessino, J. Scott, and E. Yanez Aguilar (2013). The Impact of Taxes and Social Spending on Inequality and Poverty in Argentina, Bolivia, Brazil, Mexico, Peru and Uruguay: An Overview. *Tulane Economics Working Paper Series*.
- Lustig, N., L. F. Lopez-Calva, and E. Ortiz-Juarez (2013). Declining Inequality in Latin America in the 2000s: The Cases of Argentina, Brazil, and Mexico. *World Development* 44, 129–141.
- Lydall, H. (1968). *The Structure of Earnings*. Oxford: Clarendon Press.
- MacCulloch, D. (2010). *A History of Christianity*. London: Penguin Books.
- Mackey, J. (1967). *The Making of a State Education System: The Passing of the New Zealand Education Act, 1877*. London: Geoffrey Chapman.
- Maddison, A. (2003). *The World Economy: Historical Statistics*. Paris: OECD Development Centre.

- Mamalakis, M. J. (1996). Introduction: Poverty and Inequality in Latin America. *Journal of Interamerican Studies and World Affairs* 38(2/3), 1–13.
- Manniche, P. (1969). *Denmark: A Social Laboratory*. Oxford: Pergamon Press.
- Manniche, P. (1978). *Rural Development in Denmark and the Changing Countries of the World*. Copenhagen: Borgen Publishers.
- Manow, P. and K. van Kersbergen (2009). Religion and the Western Welfare State - The Theoretical Context. In P. Manow and K. van Kersbergen (Eds.), *Religion, Class Coalitions, and Welfare States*, Chapter 1, pp. 1–38. Cambridge: Cambridge University Press.
- Marshall, E. L. (1939). El impuesto a la renta en Chile. *Anales de la Facultad de Ciencias Jurídicas y Sociales* 5.
- Martin, I. W., A. K. Mehrotra, and M. Prasad (2009). The Thunder of History: The Origins and Development of the New Fiscal Sociology. In I. W. Martin, A. K. Mehrotra, and M. Prasad (Eds.), *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective*, Chapter 1. Cambridge: Cambridge University Press.
- Masferrer, A. (1968a). El dinero maldito (selección). *Cultura: Revista del Ministerio de Educación de El Salvador* 47, 91–98.
- Masferrer, A. (1968b). El Minimum Vital. *Cultura: Revista del Ministerio de Educación de El Salvador* 47, 117–132.
- Matus González, M. (2009). *Precios y Salarios Reales en Chile durante el Ciclo Salitrero, 1880-1930*. Ph. D. thesis, Universitat de Barcelona.
- Maurizio, R. (2012). Labour Informality in Latin America: the case of Argentina, Chile, Brazil and Peru. *BWPI Working Paper* 165.
- McDaniel, D. (1924). The Development of State Wage Regulation in Australia and New Zealand. *International Labour Review* 10, 605–629.

- McGuire, J. W. (1995). Political Parties and Democracy in Argentina. In S. Mainwaring and T. R. Scully (Eds.), *Building Party Systems in Latin America*, pp. 200–246. Stanford, California: Stanford University Press.
- McLean, I. and S. Richardson (1986). More or Less Equal? Australian Income Distribution in 1933 and 1980. *The Economic Record* 62, 67–81.
- Mendelsohn, R. (1954). *Social Security in the British Commonwealth*. London: The Athlone Press.
- Mendelsohn, R. (1979). *The Condition of the People: Social Welfare in Australia 1900-1975*. Sydney: George Allen & Unwin Ltd.
- Mesa-Lago, C. (1985). El Desarrollo de la Seguridad Social en América Latina. *Estudios e Informes de la CEPAL. Naciones Unidas*. 43.
- Meyer, C. (2000). "What a Terrible Thing It Is to Entrust One's Children to Such Heathen Teachers": State and Church Relations Illustrated in the Early Lutheran Schools of Victoria, Australia. *History of Education Quarterly* 40(3), 302–319.
- Milanich, N. (2010). Women, Children, and the Social Organization of Domestic Labor in Chile. *Hispanic American Historical Review* 91(1), 29–62.
- Milanovic, B. (2011). *The Haves and the Have-Nots*. New York: Basic Books.
- Milanovic, B., P. H. Lindert, and J. G. Williamson (2010). Pre-Industrial Inequality. *The Economic Journal* 121, 255–272.
- Monsalve Bórquez, M. (1998). *"I el silencio comenzó a reinar": documento para la historia de la instrucción primaria, 1840-1920*. Santiago, Chile: Dirección de Bibliotecas, Archivos y Museos: Centro de Investigaciones Diego Barros Arana.
- Monteon, M. (2010). *Latin America and the Origins of its Twenty-First Century*. Santa Barbara, California: Praeger.

- Moore, M. (2008). Between coercion and contract: competing narratives on taxation and governance. In D. A. Bräutigam, O.-H. Fjeldstad, and M. Moore (Eds.), *Taxation and State-Building in Developing Countries: Capacity and Consent*, Chapter 2, pp. 34–63. Cambridge and New York: Cambridge University Press.
- Morrisson, C. (2000). Historical Perspectives on Income Distribution: The Case of Europe. In A. B. Atkinson and F. Bourguignon (Eds.), *Handbook of Income Distribution, Volume 1*, Chapter 4, pp. 217–260. Oxford, England: Oxford University Press.
- Morrisson, C. and F. Murtin (2009). The Century of Education. *Journal of Human Capital* 3(15), 1–42.
- Mouw, T. and A. L. Kalleberg (2010). Occupations and the Structure of Wage Inequality in the United States, 1980s to 2000s. *American Sociological Review* 75(3), 402–431.
- MOxLAD (2011). *The Montevideo-Oxford Latin American Economic History Database*. <http://oxlad.qeh.ox.ac.uk/>.
- Mueller, N. (2007). Democracy and Public Educational Spending: Panel-Evidence from the Interwar Period. *Paper presented at the 7th Conference of the European Historical Economics Society*, 1–32.
- Murphy, J. (2011). *A Decent Provision: Australian Welfare Policy, 1870 to 1940*. Surrey and Burlington: Ashgate.
- Myers, C. A. (1951). *Industrial Relations in Sweden*. Cambridge, Massachusetts: The Technology Press, Massachusetts Institute of Technology.
- Nahum, B. (Ed.) (2007a). *Estadísticas Históricas del Uruguay, 1900-1950. Vol 1*. Montevideo: Universidad de la República.

- Nahum, B. (Ed.) (2007b). *Estadísticas Históricas del Uruguay, 1900-1950. Vol 2*. Montevideo: Universidad de la República.
- Nazer, R. (2000). El surgimiento de una nueva elite empresarial en Chile: 1830-80. In F. Bonelli and M. R. Stabili (Eds.), *Minoranze e Culture Imprenditoriali, Cile e Italia (secoli XIX-XX)*, Chapter 2, pp. 59–84. Rome: Carocci.
- Neckerman, K. M. and F. Torche (2007). Inequality: Causes and Consequences. *Annual Review of Sociology* 33(1), 335–357.
- New Zealand Census and Statistics Department (1911a). *New Zealand Official Year-Book, 1911*. Wellington: Census and Statistics Department.
- New Zealand Census and Statistics Department (1911b). *New Zealand Official Year-Book, 1911*. Wellington: Census and Statistics Department.
- New Zealand Census and Statistics Department (various years). *New Zealand Official Year-Book*. Wellington: Census and Statistics Department.
- Newland, C. (1991). La educación elemental en Hispanoamérica: Desde la independencia hasta la centralización de los sistemas educativos nacionales. *The Hispanic American historical review* 71(2), 335–364.
- Newland, C. (1994). The Estado Docente and its Expansion: Spanish American Elementary Education, 1900- 1950. *Journal of Latin American Studies* 26, 449–467.
- Nilsson, A. (1999). What do Literacy Rates in the 19th Century Really Signify? New Light on an old Problem from Unique Swedish Data. *Paedagogica Historica: International Journal of the History of Education* 35(2), 274–296.
- Nilsson, A. (2005). Education, Nation-building, and Economic Development: The Swedish Case. In M. Jerneck, M. Mörner, G. Tortella, and S. Akerman (Eds.), *Different Paths to Modernity: A Nordic and Spanish Perspective*, Chapter 6, pp. 106–121. Lund: Nordic Academic Press.

- Nohlen, D. (Ed.) (2005). *Elections in the Americas: A Data Handbook. Vol. 2: South America*. Oxford and New York: Oxford University Press.
- Nohlen, D., F. Grotz, and C. Hartmann (Eds.) (2001). *Elections in Asia and the Pacific: A Data Handbook: Volume II: South East Asia, East Asia, and the South Pacific*. Oxford: Oxford University Press.
- Nohlen, D. and P. Stöver (Eds.) (2010). *Elections in Europe*. Baden-Baden: Nomos.
- North, D. C. (1981). *Structure and Change in Economic History*. New York and London: W.W. Norton and Company.
- North, D. C. (1998). Economic Performance Through Time. In M. C. Brinton and V. Nee (Eds.), *The New Institutionalism in Sociology*, Chapter 11, pp. 247–257. New York: Russell Sage Foundation.
- North, D. C., W. Summerhill, and B. R. Weingast (2000). Order, Disorder and Economic Change: Latin America vs. North America. In B. Bueno de Mesquita and H. Root (Eds.), *Governing for Prosperity*. New Haven and London: Yale University Press.
- Norton, W. E. and P. Garmston (1984). *Australian Economic Statistics 1949/50 to 1982/83. RBA Paper N.8A*. Canberra: Reservel Bank of Australia.
- OECD (2000). *Literacy in the Information Age: Final Report of the Adult International Literacy Survey*. Paris: Organisation for Economic Co-operation and Development.
- OECD (2009). *PISA Database*. Paris: Organisation for Economic Co-operation and Development.
- OECD (2012). *OECD Social Expenditure Statistics database*. Paris. <http://www.oecd-ilibrary.org>.
- OECD (2012). *OECD. Stat*. Paris. <http://stats.oecd.org>.

- OECD (2015). *In It Together: Why Less Inequality Benefits All*. Paris: OECD Publishing.
- Office of Tax Policy Research (2015). *World Tax Database*. Michigan Ross School of Business.
- Olson, M. (1965). *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, Massachusetts: Harvard University Press.
- Össbo, A. s. and P. Lantto (2011). Colonial Tutelage and Industrial Colonialism: reindeer husbandry and early 20th-century hydroelectric development in Sweden. *Scandinavian Journal of History* 36(3), 324–348.
- Oszlak, O. (1970). Inflación y política fiscal en Argentina: el impuesto a los réditos en el período 1956-1965.
- Oxhorn, P. (1998). The Social Foundations of Latin America's Recurrent Populism: Problems of Popular Sector Class Formation and Collective Action. *Journal of Historical Sociology* 11(2), 212–246.
- Øystein, R. (2000). Introduction: Government and Society in Early Modern Scandinavia 1560-1721. In L. Jespersen (Ed.), *A Revolution from Above? The Power State of 16th and 17th Century Scandinavia*, Chapter 1, pp. 13–30. Odense: Odense University Press.
- Palgrave Macmillan Ltd (Ed.) (2013). *International Historical Statistics 1750-2010 (online)*. London.
- Pavcnik, N. (2002). Globalization and within-country income inequality. In M. Bacchetta and M. Jansen (Eds.), *Making Globalization Socially Sustainable*, Chapter 7, pp. 233–260. Geneva: International Labour Office and The World Trade Organization.

- Pedersen, P. J. (1993). Union Growth in Denmark. In K. G. Persson (Ed.), *The Economic Development of Denmark and Norway since 1870*, Chapter 24, pp. 537–546. Alderhorst & Brookfield: Edward Elgar.
- Perissinotto, R. (2012). Industrialization and State Elites in Brazil and Argentina (1930-1966): Notes for a Comparative Research. In *Occasional Paper BSP-10-12*. Brazilian Studies Programme, Latin American Centre, University of Oxford.
- Persson, K. G. (1993). Introduction. In K. G. Persson (Ed.), *The Economic Development of Denmark and Norway since 1870*, Chapter 1, pp. xi–xv. Alderhorst & Brookfield: Edward Elgar.
- Pierson, C. (2004). Late Industrializers and the Development of the Welfare State. *Social Policy and Development Programme. United Nations Research Institute for Social Development* (16).
- Piketty, T. (2000). Theories of Persistent Inequality and Intergenerational Mobility. In A. B. Atkinson and F. Bourguignon (Eds.), *Handbook of Income Distribution, Volume 1*, Volume 1, Chapter 8, pp. 429–476. Amsterdam and Oxford: Elsevier.
- Piketty, T. (2014). *Capital in the Twenty-First Century*. Cambridge, Massachusetts: Harvard University Press.
- Pineo, R. (1998). Public Health Care in Valparaíso, Chile. In J. A. Baer and R. Pineo (Eds.), *Cities of Hope: People, Protests, and Progress in Urbanizing Latin America, 1870-1930*, pp. 179–217. Boulder, Colorado: Westview Press.
- Pinkasz, D. (1993). Escuelas y desiertos: hacia una historia de la educación primaria de la Provincia de Buenos Aires. In A. Puiggrós (Ed.), *Historia de la Educación en la Argentina, vol. IV: La Educación en las Provincias y Territorios Nacionales (1885-1945)*, pp. 13–58. Buenos Aires: Galerna.

- Plowman, D. (2004). Employers' Associations and Compulsory Arbitration. In J. Isaac and S. MacIntyre (Eds.), *The New Province for Law and Order: 100 Years of Australian Industrial Conciliation and Arbitration*, Chapter 6, pp. 241–274. Cambridge: Cambridge University Press.
- Poblete-Troncoso, M. (1928a). Labour Legislation in Latin America: I. *International Labour Review* 17, 51–67.
- Poblete-Troncoso, M. (1928b). Labour Legislation in Latin America: II. *International Labour Review* 17, 204–230.
- Podder, N. and S. Chatterjee (2002). Sharing the national cake in post reform New Zealand: income inequality trends in terms of income sources. *Journal of Public Economics* 86, 1–27.
- Pomeranz, K. L. (2000). *The Great Divergence: China, Europe, and the Making of the Modern World Economy*. Princeton and Oxford: Princeton University Press.
- Pontusson, J., D. Rueda, and C. R. Way (2002). Comparative Political Economy of Wage Distribution: The Role of Partisanship and Labour Market Institutions. *British Journal of Political Science* 32(02), 281–308.
- Porter, E. (2014, December 3rd). Income Gap Shrinks in Chile, for Better or Worse. *The New York Times*, B1. http://www.nytimes.com/2014/12/03/business/economy/income-gap-shrinks-in-chile-for-better-or-worse.html?_r=0.
- Portes, A. (1985). Latin American Class Structures: Their Composition and Change During the Last Decades. *Latin American Research Review* 20(3), 7–39.
- Portes, A. (2010). *Economic Sociology: a Systematic Inquiry*. Princeton and Oxford: Princeton University Press.
- Prochner, L. (2009). *A History of Early Childhood Education in Canada, Australia, and New Zealand*. Vancouver and Toronto: UBC Press.

- Przeworski, A. and C. Curvale (2008). Does Politics Explain the Economic Gap between the United States and Latin America? In F. Fukuyama (Ed.), *Falling Behind: Explaining the Development Gap between Latin America and the United States*, pp. 99–133. Oxford and New York: Oxford University Press.
- Puiggrós, A. (2003). *Qué pasó en la educación argentina: Breve historia desde la conquista hasta el presente*. Buenos Aires: Galerna.
- Ragin, C. C. (2008). *Redesigning Social Inquiry: Fuzzy Sets and Beyond*. Chicago and London: University of Chicago Press.
- Rausing, L. (1986). The Population Question: The Debate of Family Welfare Reforms in Sweden, 1930-38. *European Journal of Political Economy* 2(4), 521–556.
- Reimers, F. (2006). Education and Social Progress. In V. Bulmer-Thomas, J. H. Coatsworth, and R. Cortés Conde (Eds.), *The Cambridge Economic History of Latin America. Volume 2: The Long Twentieth Century*, Chapter 11, pp. 427–480. Cambridge: Cambridge University Press.
- Reinhardt, S. and L. Steel (2006). A brief history of Australia's tax system. *Paper presented to the 22nd APEC Finance Minister's Technical Working Group Meeting* (June), 1–26.
- Remmer, K. L. (1976). Economic Dependency and Political Conflict: Chile and Argentina, 1900-1925. *Studies in Comparative International Development*, 3–24.
- Resk, C. H. (1969). Incentivos Fiscales a la Inversión. In *La Tributación en la Argentina*, pp. 325–379. Córdoba: Ediciones Macchi. Comité Ejecutivo Primeras Jornadas de Finanzas Públicas.
- Robinson, G. (2005). Taxation, Social Expenditure, and Labourism in the Australian States, 1911–1940. *Public policy stream: APSA papers*.

- Robinson, J. A., D. Acemoglu, and S. Johnson (2003). An African Success Story: Botswana. In D. Rodrik (Ed.), *In Search of Prosperity: Analytic Narratives on Economic Growth*, pp. 80–119. Princeton, New Jersey: Princeton University Press.
- Rocchi, F. (2006). *Chimneys in the Desert: Industrialization in Argentina during the Export Boom Years, 1870-1930*. Stanford, California: Stanford University Press.
- Roddick, J. and N. Haworth (1984). *Chile, 1924 and 1979: Labour Policy and Industrial Relations Through Two Revolutions*. Glasgow: Institute of Latin American Studies, University of Glasgow.
- Rodríguez, A. P. (1956). *El Salario en el Uruguay: Su Régimen Jurídico, Vol. 2*. Montevideo: Facultad de Derecho y Ciencias Sociales, Universidad de Montevideo.
- Rodríguez, D. and R. Ríos (2009). Paternalism at a crossroads: labour relations in Chile in transition. *Employee Relations* 31(3), 322–333.
- Rodríguez Weber, J. (2009). *Los tiempos de la desigualdad: La distribución del ingreso en Chile, entre la larga duración, la globalización y la expansión de la frontera, 1860-1930*. Universidad de la República, Montevideo Uruguay.
- Rodríguez Weber, J. (2014). *La Economía Política de la Desigualdad de Ingreso en Chile, 1850-2009*. Ph. D. thesis, Universidad de la República, Montevideo.
- Rodríguez Weber, J. and Thorp (2013). The Political Economy of (Re)distribution with Low Growth: Uruguay 1900 to 1973. *Programme in Economic and Social History of the Universidad de la Republica*.
- Rodrik, D. (1998). Why Do More Open Economies Have Bigger Governments ? *Journal of Political Economy* 106(5), 997–1032.
- Rogers, E. (2013). A ‘Small Free Trade Oasis’?: agriculture, tariff policy, and the Danish example in Great Britain and Ireland, c. 1885-1911. *Scandinavian Journal of History* 38(1), 42–64.

- Rogers, F. (1954). *The Single Tax Movement in New Zealand*. Auckland: University of New Zealand.
- Roine, J. and D. Waldenström (2010). Top Incomes in Sweden over the Twentieth Century. In A. B. Atkinson and T. Piketty (Eds.), *Top Incomes: A Global Perspective*. Oxford: Oxford University Press.
- Rosanvallon, P. (2000). *The New Social Question*. Princeton, New Jersey: Princeton University Press.
- Rosenthal, A. (1998). Dangerous Streets: Trolleys, Labor Conflict, and the Reorganization of Public Space in Montevideo, Uruguay. In J. A. Baer and R. Pineo (Eds.), *Cities of Hope: People, Protests, and Progress in Urbanizing Latin America, 1870-1930*, pp. 30–52. Boulder, Colorado: Westview Press.
- Ross, M. L. (2004). Does Taxation Lead to Representation? *British Journal of Political Science* 34(2), 229–249.
- Rothstein, B. (1998). Labor-market institutions and working-class strength. In S. Steinmo, K. Thelen, and F. Longstreth (Eds.), *Structuring politics: historical institutionalism in comparative analysis*, pp. 33–56. Cambridge and New York: Cambridge University Press.
- Rowse, T. (2004). Elusive Middle Ground: A Political History. In J. Isaac and S. MacIntyre (Eds.), *The New Province for Law and Order: 100 Years of Australian Industrial Conciliation and Arbitration*, Chapter 1, pp. 17–54. Cambridge: Cambridge University Press.
- Roxborough, I. (2008). The Urban Working Class and Labour Movement in Latin America since 1930. In *The Cambridge History of Latin America, Volume 6. Part II*, Chapter 5, pp. 307–378. Cambridge: Cambridge University Press.

- Ruggles, S., J. T. Alexander, K. Genadek, R. Goeken, M. B. Schroeder, and M. Sobek (2013). *Integrated Public Use Microdata Series (IPUMS)*. Minneapolis: University of Minnesota.
- Rust, V. D. (1989). *The Democratic Tradition and the Evolution of Schooling in Norway*. New York: Greenwood Press.
- Salanié, B. (2003). *The Economics of Taxation*. Cambridge, Massachusetts: The MIT Press.
- Salazar, G. (1989). *Labradores, Peones y Proletarios: Formación y Crisis de la Sociedad Popular Chilena del Siglo XIX*. Santiago, Chile: Ediciones Sur.
- Salinas, V. (2011). Socioeconomic Differences According to Family Arrangements in Chile. *Population Research and Policy Review* 30(5), 677–699.
- Sánchez Alonso, B. (2007). The Other Europeans: Immigration into Latin America and the International Labour Market (1870-1930). *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 25(3), 395–426.
- Sánchez Alonso, B. (2013). Making sense of immigration policy: Argentina, 1870-1930. *The Economic History Review* 66(2), 601–627.
- Sánchez-Ancochea, D. (2008). Public Budgets and Income Inequality in Latin America: A Comparative Perspective. In D. Sánchez-Ancochea and I. Morgan (Eds.), *The Political Economy of the Public Budget in the Americas*. London: Institute for the Study of the Americas.
- Sánchez Román, J. A. (2009). Economic Elites, Regional Cleavages, and the First Attempts at Introducing the Income Tax in Argentina. *Hispanic American Historical Review* 89(2), 253–283.
- Sánchez Román, J. A. (2012). *Taxation and Society in Twentieth-Century Argentina*. New York: Palgrave-Macmillan.

- Sandberg, L. G. (1979). The Case of the Impoverished Sophisticate: Human Capital and Swedish Economic Growth before World War I. *Journal of Economic History* 39(1), 225–241.
- Sanhueza, C. and R. Mayer (2009). Top Incomes in Chile 1957-2007: Evolution and Mobility. *Technical Report. Universidad Alberto Hurtado.*
- Sapelli, C. (2007). A Cohort Analysis of the Income Distribution in Chile. *Department of Economics, Pontificia Universidad Católica de Chile.*
- Sater, W. (1976). Economic Nationalism and Tax Reform in Late Nineteenth Century Chile. *The Americas* 33(2), 311–335.
- Sater, W. (2003). The Politics of Public Health: Smallpox in Chile. *Journal of Latin American Studies* 35, 513–543.
- Schall, C. E. (2012). (Social) Democracy in the Blood? Civic and Ethnic Idioms of Nation and the Consolidation of Swedish Social Democratic Power, 1928-1932. *Journal of Historical Sociology*, 1–35.
- Scheve, K. and D. Stasavage (2009). Institutions, Partisanship, and Inequality in the Long Run. *World Politics* 61(2), 215–253.
- Schneider, B. R. (2009). Hierarchical Market Economies and Varieties of Capitalism in Latin America. *Journal of Latin American Studies* 41(3), 553–575.
- Scobie, J. R. (1971). *Argentina: a City and a Nation*. New York, London, and Toronto: Oxford University Press.
- Scully, T. R. (1995). Reconstructing Party Politics in Chile. In S. Mainwaring and T. R. Scully (Eds.), *Building Party Systems in Latin America*, pp. 100–137. Stanford, California: Stanford University Press.

- Sen, A. (2000). Social Justice and the Distribution of Income. In A. B. Atkinson and F. Bourguignon (Eds.), *Handbook of Income Distribution, Volume 1*, Volume 1, Chapter 1, pp. 59–85. Oxford, England: Oxford University Press.
- Senghaas, D. (1985). *The European Experience: A Historical Critique of Development Theory*. Leamington Spa/Dover, New Hampshire: Berg Publishers.
- Sicotte, R., C. Vizcarra, and K. Wandschneider (2008). The fiscal impact of the War of the Pacific. *Cliometrica* 3(2), 97–121.
- Smith, P. (1974). *Argentina and the Failure of Democracy: Conflict among Political Elites, 1904-1955*. Madison, Wisconsin: The University of Wisconsin Press.
- Smithin, J. (1996). *Macroeconomic Policy and the Future of Capitalism: the Revenge of the Rentiers and the Threat to Prosperity*. Cheltenham: Edward Elgar.
- Söderberg, J. (1991). Wage Differentials in Sweden, 1725-1950. In Y. Brenner, H. Kaelble, and M. Thomas (Eds.), *Income distribution in historical perspective*, Chapter 3, pp. 76–95. Cambridge and New York: Cambridge University Press.
- Sokoloff, K. L. and S. L. Engerman (2000). Institutions, Factor Endowments, and Paths of Development in the New World. *The Journal of Economic Perspectives* 14(3), 217–232.
- Sokoloff, K. L. and E. M. Zolt (2006). Inequality and Taxation: Evidence from the Americas on How Inequality May Influence Tax Institutions. *Tax Law Review* 59, 167–241.
- Sokoloff, K. L. and E. M. Zolt (2007). Inequality and the Evolution of Institutions of Taxation: Evidence from the Economic History of the Americas. In S. Edwards, G. Esquivel, and G. Márquez (Eds.), *The Decline of Latin American Economies: Growth, Institution, and Crises*, Chapter 3, pp. 83–136. Chicago: University of Chicago Press.

- Solt, F. (2009). Standardizing the World Income. *Social Science Quarterly* 90(2), 231–242.
- Soltow, L. (1965). *Toward Income Equality in Norway*. Madison and Milwaukee, Wisconsin: The University of Wisconsin Press.
- Sørensen, A. B. (1994). Firms, wages and incentives. In N. J. Smelser and R. Swedberg (Eds.), *Handbook of Economic Sociology*, pp. 504–528. Princeton, New Jersey: Princeton University Press.
- Sørensen, J. B. (2007). Organizational Diversity, Labor Markets, and Wage Inequality. *American Behavioral Scientist* 50(5), 659–676.
- Statistics New Zealand (2012). Long-Term Data Series. http://www.stats.govt.nz/browse_for_stats/economic_indicators/nationalaccounts/long-term-data-series.aspx.
- Statistiska Centralbyrån (1952). *Statistisk årsbok för Sverige*. Stockholm.
- Statistiska Centralbyrån (Various years). *Statistisk årsbok för Sverige*. Stockholm.
- Statistiske Departement (1952). *Statistisk Aarborg*. Copenhagen.
- Steinmo, S. (1993). *Taxation and Democracy*. New Haven and London: Yale University Press.
- Steinmo, S. (2010). *The Evolution of Modern States: Sweden, Japan, and the United States*. New York: Cambridge University Press.
- Stiglitz, J. E. (2012, May). The 1 Percent’s Problem. *Vanity Fair*. <http://www.vanityfair.com/politics/2012/05/joseph-stiglitz-the-price-on-inequality>.
- Sturzenegger, F. A. (1991). Description of a Populist Experience: Argentina, 1973–1976. In R. Dornbusch and S. Edwards (Eds.), *The Macroeconomics of Populism*

- in Latin America*, Number January, Chapter 4, pp. 77–120. Chicago: University of Chicago Press.
- Swarthmore College (2013). *Global Nonviolent Action Database*. <http://nvdatabase.swarthmore.edu/>.
- Swenson, P. A. (1991). Bringing Capital Back in, or Social Democracy Reconsidered: Employer Power, Cross-Class Alliances, and Centralization of Industrial Relations in Denmark and Sweden. *World Politics* 43(4), 514–544.
- Swenson, P. A. (2002). *Capitalists against Markets: The Making of Labor Markets and Welfare States in the United States and Sweden*. Oxford and New York: Oxford University Press.
- Swenson, P. A. (2004). Varieties of Capitalist Interests : Power, Institutions, and the Regulatory Welfare State in the United States and Sweden. *Studies in American Political Development* 18, 1–29.
- Taleb, N. N. and R. Douady (2014). On the Super-Additivity and Estimation Biases of Quantile Contributions. *NYU School of Engineering Working Papers*.
- Tanzi, V. and L. Schuknecht (2000). *Public Spending in the 20th Century: A Global Perspective*. Cambridge: Cambridge University Press.
- Teese, R. (1999). Scholastic power and curriculum access: public and private schooling in postwar Australia. *History of Education: Journal of the History of Education Society* 24(4), 353–367.
- Thelen, K. (2001). Varieties of Labor Policies in Developed Democracies. In P. A. Hall and D. Soskice (Eds.), *Varieties of Capitalism*, Chapter 2, pp. 71–103. Oxford: Oxford University Press.
- Thomas, M. (1991). The evolution of inequality in Australia in the nineteenth century. In Y. Brenner, H. Kaelble, and M. Thomas (Eds.), *Income distribution in historical*

- perspective*, Chapter 6, pp. 149–173. Cambridge and New York: Cambridge University Press.
- Thomson, D. (1998). *A World Without Welfare: New Zealand's Colonial Experiment*. Auckland: Auckland University Press.
- Thorbecke, E. and C. Charumilind (2002). Economic Inequality and Its Socioeconomic Impact. *World Development* 30(9), 1477–1495.
- Thorp, R. (1998). *Progress, Poverty and Exclusion: An Economic History of Latin America in the 20th Century*. John Hopkins University Press.
- Tilly, C. (1997). Means and Ends of Comparison in Macrosociology. *Comparative Social Research* 16, 43–53.
- Tilly, C. (1998). *Durable Inequality*. Berkeley, Los Angeles: University of California Press.
- Tilly, C. (1999). Power-Top Down and Bottom Up. *The Journal of Political Philosophy* 7(3), 330–352.
- Tilly, C. (2005). *Trust and Rule*. Cambridge: Cambridge University Press.
- Tilly, C. (2006). *Coercion, Capital and European States: AD 990-1992*. Cambridge, Massachusetts: Blackwell.
- Tilly, C. (2009). Extraction and Democracy. In I. W. Martin, A. K. Mehrotra, and M. Prasad (Eds.), *The New Fiscal Sociology: Taxation in Comparative and Historical Perspective*, pp. 173–182. Cambridge and New York: Cambridge University Press.
- Tilly, C. and C. Tilly (1998). *Work Under Capitalism*. Boulder, Colorado: Westview Press.
- Timmons, J. (2005). The Fiscal Contract: States, Taxes, and Public Services. *World Politics* 57(4), 530–567.

- Tomasson, R. F. (1965). From Elitism to Egalitarianism in Swedish Education. *Sociology of Education* 38(3), 203–223.
- Torche, F. and E. Valenzuela (2011, May). Trust and reciprocity: A theoretical distinction of the sources of social capital. *European Journal of Social Theory* 14(2), 181–198.
- Torrado, S. (1994). *Estructura Social de la Argentina: 1945-1983*. Buenos Aires: Ediciones de la Flor.
- Treber, S. (1969). Reforma al Sistema Impositivo. In *La Tributación en la Argentina*, pp. 567–589. Córdoba: Ediciones Macchi. Comité Ejecutivo Primeras Jornadas de Finanzas Públicas.
- UNESCO (1953). *Progress of Literacy in Various Countries: A preliminary statistical study of available census data since 1900*. Paris: United Nations.
- United Nations Statistics Office (Various years(b)). *Industrial Statistics Yearbook*. New York: United Nations.
- Universidad de la República (2014). *Banco de Datos de Economía e Historia Económica*. Montevideo. <http://www.fcs.edu.uy/categoria.php?CatId=41>.
- UNU-WIDER (2011). *World Income Inequality Database (WIID)*. http://www.wider.unu.edu/research/Database/en_GB/database/.
- US Commissioner of Education (Various years). *Report of the Commissioner of Education: Statistics of Education in Foreign Countries*. Washington DC: Government Printing Office.
- Usami, K. (2004). Transformation and Continuity of the Argentine Welfare State: Evaluating Social Security Reform in the 1990s. *The Developing Economies* 42(2), 217–40.

- Valenzuela, A. and J. S. Valenzuela (1983). Los Orígenes de la Democracia: Reflexiones Teóricas sobre el Caso de Chile. *Estudios Públicos* 12, 7–39.
- Valenzuela, J. S. (2001). Class Relations and Democratization: A Reassessment of Barrington Moore’s Model. In M. A. Centeno and F. López-Alves (Eds.), *The Other Mirror: Grand Theory Through the Lens of Latin America*, Chapter 8, pp. 240–286. Princeton and Oxford: Princeton University Press.
- Valenzuela, J. S. (2011). Families, Welfare Institutions and Economic Development: Chile and Sweden in Comparative Perspective. *Working Paper 374. Kellogg Institute for International Studies, University of Notre Dame*.
- Valenzuela, J. S. and A. Valenzuela (1978). Modernization and Dependency: Alternative Perspectives in the Study of Latin American Underdevelopment. *10*(4), 535–557.
- van Zanden, J. L. (2015). *Clio-Infra: Reconstructing Global Inequality Dataset*. Amsterdam.
- Vásquez-Presedo, V. (1988). *Estadísticas Históricas Argentinas: compendio 1873-1973*. Buenos Aires: Instituto de Economía Aplicada, Academia Nacional de Ciencias Económicas.
- Véganzonès, M.-A. and C. Winograd (1997). *Argentina in the 20th Century*. Paris: Development Centre, OECD.
- Vial Correa, G. (1981). *Historia de Chile (1891-1973). Vol 1*. Santiago, Chile: Editorial Santillana del Pacífico.
- Visser, J. (1989). *European Trade Unions in Figures*. Deventer, The Netherlands: Kluwer Law and Taxation Publishers.
- Visser, J. (2011). Data Base on Institutional Characteristics of Trade Unions, Wage

- Setting, State Intervention and Social Pacts, 1960-2010 (ICTWSS). Version 3.0. *Amsterdam Institute for Advanced Labour Studies*.
- Volk, S. S. (1993). Mine Owners, Moneylenders, and the State in Mid-Nineteenth-Century Chile: Transitions and Conflicts. *The Hispanic American Historical Review* 73(1), 67–98.
- Wallerstein, M. (1999). Wage-Setting Institutions and Pay Inequality in Advanced Industrial Societies. *American Journal of Political Science* 43(3), 649–680.
- Wang, C. and K. Caminada (2011). Disentangling income inequality and the redistributive effect of social transfers and taxes in 36 LIS countries. *Department of Economics Research Memorandum, University of Leiden*.
- Waters, M. (1982). *Strikes in Australia*. Sydney: George Allen & Unwin Ltd.
- Webber, C. and A. Wildavsky (1986). *A History of Taxation and Expenditure in the Western World*. New York: Simon and Schuster.
- Western, B. (1998). Institutions and the Labor Market. In M. C. Brinton and V. Nee (Eds.), *The New Institutionalism in Sociology*, Chapter 10, pp. 224–243. New York: Russell Sage Foundation.
- Western, B. and J. Rosenfeld (2011). Unions, Norms, and the Rise in U.S. Wage Inequality. *American Sociological Review* 76(4), 513–537.
- Whitehead, K. (1999). From youth to ‘greatest pedagogue’: William Cawthorne and the construction of a teaching profession in mid-nineteenth century South Australia. *History of Education: Journal of the History of Education Society* 28(4), 395–412.
- Whitehouse, G. (2004). Justice and Equity: Women and Indigenous Workers. In J. Isaac and S. MacIntyre (Eds.), *The New Province for Law and Order: 100 Years of Australian Industrial Conciliation and Arbitration*, Chapter 5, pp. 207–240. Cambridge: Cambridge University Press.

- Willebald, H. (2007). Desigualdad y Especialización en el Crecimiento de las Economías Templadas de Nuevo Asentamiento, 1870-1940. *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 25(2), 293–347.
- Williamson, J. G. (1991). British inequality during the Industrial Revolution: accounting for the Kuznets curve. In Y. Brenner, H. Kaelble, and M. Thomas (Eds.), *Income distribution in historical perspective*, Chapter 2, pp. 57–75. Cambridge and New York: Cambridge University Press.
- Williamson, J. G. (1999). Real Wages, Inequality and Globalization in Latin America Before 1940. *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 17(Special Issue).
- Williamson, J. G. (2002). Land, Labor, and Globalization in the Third World, 1870-1940. *The Journal of Economic History* 62(1), 55–85.
- Williamson, J. G. (2005). *The Political Economy of World Mass Migration: Comparing Two Global Centuries*. Washington DC: The AEI Press.
- Williamson, J. G. (2010). Five centuries of Latin American income inequality. *Revista de Historia Económica / Journal of Iberian and Latin American Economic History* 28(02), 227–252.
- Williamson, J. G. (2015). Latin American Inequality: Colonial Origins, Commodity Booms, or a Missed 20th Century Leveling? *NBER Working Paper No 20915*.
- Wilmoth, J. R. and V. Shkolnikov (2013). The Human Mortality Database. www.mortality.org.
- World Bank (2014a). Doing business: Employing workers. <http://www.doingbusiness.org/data/exploretopics/employing-workers#firingCost>.
- World Bank (2014b). World Development Indicators.

- Wright, E. O. (2002). The Shadow of Exploitation in Weber's Class Analysis. *American Sociological Review* 67(6), 832–853.
- Zimmer, F. (2003). The Development of the Concept of Income in Nordic Income Tax Law. *Scandinavian Studies in Law* 44, 393–410.
- Zimmerman, S. D. (2013). Making Top Managers: The Role of Elite Universities and Elite Peers. *Working Paper*.
- Zubillaga, C. and J. Balbis (1992). *Historia del Movimiento Sindical Uruguayo. Tomo IV: Cuestión Social y Debate Ideológico*. Montevideo: Ediciones de la Banda Oriental.