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ADOLFO GURRIERI



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Types of income concentration and political styles in Latin America¹

*Jorge Graciarena **

This study examines the forms of income concentration in capitalist economic growth in Latin America. First it deals with the recent income distribution trends of a number of countries in the region, highlighting the forms of concentration in different periods. It goes on to study the types of concentration which can be inferred from the trends observed and the structural forms and specific political processes which accompany them, taking into account some of the economic explanations which have been in fashion in recent years. Finally, it attempts to show that the patterns of income distribution, besides having undeniable economic foundations, at the same time possess deep roots linking their composition and transformations with the prevailing social structure, political régimes and styles of development.

¹ The first draft of this study was finished during the second half of 1974 and later revised in form rather than in substance.

*Deputy Director, Social Development Division, CEPAL.

1. Economic theory and income concentration in development

Concern for income distribution trends and their relationship with economic growth and social development has become so great in recent years that the topic has acquired top priority in international forums and in the academic centres of Latin America. After having occupied for many years a central position in political debate, the problem of income concentration has once again become topical in intellectual circles, due in part to the interest aroused by the question of development styles and, at another level, to the practical need to make economic growth compatible with social welfare at a point in time when the trend towards concentration is still very much at work.

Thus the controversy on this question, to which we will return later, mainly concerns the extreme inequality of income distribution—how little the poorest strata receive and how much those at the top of the scale receive—and the effect of this situation and possible changes in it upon short-term economic growth. The discussion involves a mixture of humanitarian arguments, developmental concerns and private interests related to the political stability and continuity of the current economic and social systems. The question is of long standing, perhaps as old as the world itself, with the difference that now, in some circles, there is an attempt to discuss this highly complex subject as if it were a technical problem without social and political ramifications.

Over the last few decades many authors have reviewed the available statistical data with a view to discovering the relationship between economic

growth and income distribution. In 1954 Simon Kuznets, after asking whether inequality in the distribution of income increases or decreases in the course of a country's economic growth, found empirical grounds for the hypothesis that in the first stages of industrialization of the under-developed countries income inequalities will tend to increase until the balancing forces are sufficiently strong to stabilize and subsequently reduce them. Later in the same work, after examining a considerable amount of historical data on the original industrialized countries, he finds that the hypothesis is sufficiently proven and asserts that in the under-developed countries, too, economic growth has led to greater inequality of income distribution.²

Kuznets' study emphasized the high concentration of wealth which existed as a result of the lack of dynamic forces working towards greater equity in income distribution or of government policies with the same end. From a similar standpoint, W. Arthur Lewis re-examined the theoretical foundations of income concentration, returning to the fountainhead of classical economic theory, above all Adam Smith and Ricardo, and asserting with them that if there were unlimited supplies of labour, wages would inevitably tend to fall to a subsistence level. In a situation of under-development with abundant supplies of labour, capital formation and technical progress result not in raising

wages, but in raising the share of profits in the national income.³

This absence of redistributive forces in the growth process stems from inadequate capital formation because "savings are low", the reason being "not that people are poor but that capitalist profits are low". Later, "as the capitalist sector expands [in comparison with the traditional sector], profits grow relatively and an increasing proportion of national income is re-invested".⁴ Nevertheless, so long as the supply of labour is unlimited, wages will remain low and close to the subsistence level. Thus this analytical model assumes indefinite population growth; a wholly unstructured labour force, which is therefore at the mercy of the "laws of the market"; unrestricted job mobility of the population; and a lack of government policies to correct this bias in the allocation of income.

In all these cases it is assumed (and Kuznets strove to prove) that this period of penury is no more than a transitory phase which will invariably be overcome as soon as production grows and the economy is sufficiently modernized for the dynamic forces characteristic of the capitalist system to emerge; these will counteract the trends towards income concentration and give rise to a more equitable structure in the following phase.

More recently, F. Paukert reviewed the existing statistical data for a large number of countries and examined the hypothesis of Kuznets, who—as mentio-

² S. Kuznets, "Economic Growth and Income Inequality" in *The American Economic Review* (Vol. XLV, No 1, March 1955, pages 1-28). Kuznets later returned to this problem in: *Six Lectures on Economic Growth*, Illinois, The Free Press, 1959; and also in: *Modern Economic Growth: Rate, Structure and Spread*, New Haven, Yale University Press, 1969.

³ W. Arthur Lewis, "Economic development with unlimited supplies of labour", in *The Manchester School of Economic and Social Studies*, Vol. XXII, No 1, January 1954, p. 190.

⁴ *Ibid.*, p. 190.

ned above— had tried to verify it empirically only for various historical phases of the industrialized capitalist countries. Unfortunately Paukert's work is not historical but rather synchronic since it compares the contemporary situation of countries with very different structures and income concentrations. At all events, however, his findings are important. His main conclusion confirms Kuznets' hypothesis, since he found a widespread situation of higher income concentration in the countries with lower levels of development (measured by the per capita product) or, in other words, an inverse relationship between the two, which changes when the levels of development are raised, with the result that the coefficients of inequality are reduced. This change is not gradual but occurs when a certain threshold in the degree of development is passed. This turning-point where distribution begins to improve occurs, according to Paukert, in countries with a development level of around 500 dollars per capita: i.e., a level which is lower than the present average per capita income in Latin America.⁵

These studies, both theoretical and empirical, are of great interest for a better understanding of the increasingly abundant information on the problem of income concentration: a problem of great importance not only in connexion with other related economic problems, such as the size of the domestic market and the demand profile, but also with regard to the job deficit and the social tensions and political conflicts generated

by inequitable patterns of distribution of wealth and income.

In the present study⁶ we shall briefly survey the available data, above all to test the validity of the hypothesis of increasing concentration and see if this

⁶The theoretical scheme of this study is based on some distinctions about levels of analysis and of reality which cannot be discussed here because of their nature and complexity. Starting from an earlier study of ours ("Estructura de poder y distribución del ingreso en América Latina", *Revista Latinoamericana de ciencia política*, Vol. II, Nº 2, August 1971), we distinguish three analytical and objective levels according to their degree of generality and autonomy. The first is the *economic and social system*, which in this study corresponds to *capitalism*; in general, when we talk here of "capitalist concentration" it is implied that capitalism as a mode of production constitutes the basis of the income distribution. The second level is the *economic and social structure*, which is a national structure conditioned by the social system and its historical situation, including the international order. Finally, there are the *styles of development*, which are the concrete historical forms adopted by the structures and systems in the specific hegemonistic situation at any particular time. It is at this last level that political forces have their freest play, although by no means to the exclusion of possible short-term variations of economic origin.

Countries which are part of the same social system and have similar degrees of development nevertheless have different types of income concentration. An explanation must therefore be sought for these variations which sometimes occur within a single country at different but neighbouring periods in its history. Our main, and very modest, proposition is that at this level, with the system and the structure remaining constant, the political régime and the hegemonistic style accompanying it are essential factors in the changes in the types of concentration. This study therefore stresses the possible causal forces stemming in the short term from the political régime and specific historical situations, bearing in mind the conditioning effect exerted on them by the prevailing social system and the structural basis of the distribution of income.

⁵See F. Paukert, "Income distribution at different levels of development: a survey of the evidence" in *International Labour Review*, vol. 108, Nos. 2-3, August-September 1973, table 6, pp. 114-115, table 7 (p. 118) and diagram 1 (p. 119).

trend is reversed when Latin America reaches the income threshold in question, leading to a more equitable structure of participation. We shall also attempt to identify particular types of income concentration. Finally, we shall examine the relationship between specific forms of income concentration

and more general socio-political structures. In other words, we shall attempt to show that political régimes and public policies are something more than a residual factor in explaining the structure and continuity of patterns of income distribution.

2.

The structural foundations of income concentration and its recent trends

Current studies of income concentration in Latin American countries view participation in the social product as being determined by various kinds of factors. First, it is argued that the region's colonial past and the natural resources and particular historical circumstances of each country conditioned the initial formation of highly concentrated distribution patterns, as well as a structure of land ownership and possession of liquid assets (in other words, wealth) which was from the start also very concentrated. It is further held that technological and social modernization has been occurring in such a way as to change the traditional distribution patterns but at the same time maintain, although in different ways, a high level of income concentration. However, the claim is still made that these concentrative trends will be reversed in the future, when economic growth will produce its rapid, far-reaching corrective effects once the modern capitalist mode of production becomes widespread. The third argument, widely encountered inside and outside Latin America, is that of structural heterogeneity, which rejects

the latter possibility and postulates that the highly inequitable distribution of income prevailing in the region will continue for a long time, despite the great economic growth which has occurred in recent decades, because of the great differences in sectoral productivity characteristic of the growth of underdeveloped economies. This structural heterogeneity will contribute to the destruction of the bases supporting archaic forms of inequality, but at the same time it will create new ones, which will tend to last as long as the conditions moulding them remain.

In one of the first comparative studies on income distribution in Latin America carried out by CEPAL it was pointed out that the growing inequality which could be observed, with high absolute levels and the concentration of total income at the top of the scale, was a feature common to all the countries of the region. In addition, this income concentration in the top decile was essentially a reflection of the concentration of ownership, which should not be interpreted narrowly as the ownership of property as such, but also included

sources of credit, market positions and other factors of that kind.⁷

Income concentration, then, was interpreted in that study as an inherent feature of the process of capitalist growth as it was occurring in the region. It was therefore supposed that the process would naturally tend to have the effect of concentrating income in the groups at the distribution peak, unquestionably a small segment of the population—generally 5 or perhaps 10 per cent—composed primarily of capital-owning entrepreneurs, a smaller proportion of top executive and salaried supervisory-level employees of domestic and foreign private companies and public sector bodies, and a still smaller number of rentiers, passive stockholders who do not personally take part in the productive process.

This trend towards concentration appears as a general feature of economic growth which is heightened in conditions of dependent under-development. When the same study goes on to analyse income distribution in Argentina, however, a reservation is made about the size of the share of the middle sectors in the country's income, and it is asserted that their advantageous position is to a large extent a *political matter*.⁸ In other words, it is expressly admitted that besides economic, structural and conjunctural factors, political events and processes may have a considerable influence on the specific form taken by an income distribution profile and on the position of the different social groups in it. On many occasions CEPAL documents have pointed out the effects of non-economic factors which have in

various ways affected the dynamics of income distribution. However, these references have usually been made in passing and are not systematically incorporated in the body of the explanation of the forces responsible for the concentration of income at the top of the scale.⁹

This is not the moment to indulge in a theoretical discussion on income distribution. As indicated above, we are concerned rather with identifying the configurations of the concentration process in Latin America; in other words, with determining whether concentration really is more intense at the top or at other levels of the scale, in which groups it is most concentrated, and in what political conditions. We are also interested in discovering to what degree the expectations of greater equity as the economy grows and diversifies are fulfilled. Thus the fundamental question is whether the income increments generated by economic growth are more

⁹The argument about the problem of income concentration as an "organic" requirement for capital formation has grown sharper recently, particularly in the countries where the concentrative effects have been shown to be particularly strong. The opposing positions on the question are clearly defined: on the one hand, there are those who argue that income concentration is vital to obtain high rates of capital formation, efficiency and economic rationality; on the other, those who assert that economic growth can be made compatible with social welfare, that in any case the latter should always have priority, and that if some sacrifice is necessary it should affect economic growth rather than social welfare. It is not our concern here to study the grounds of the controversy, still less to judge the validity of the arguments. It is worth recalling this matter, however, because the positions outlined are somewhat like the foundations of the economic and social policies which contribute to the different forms of income concentration. We shall return to this problem later.

⁷CEPAL, *Estudios sobre la distribución del ingreso en América Latina*, mimeo, E/CN.12/770, 29 March 1967, p. 6.

⁸*Ibid.*, p. 6.

or less strongly concentrated than the volume of income generated in the preceding phase, where this concentration occurs and what its political causes are.

Regrettably, the information available is neither complete nor entirely reliable; there are sometimes quite important contradictions when data from different statistical sources are collated. It should also be noted that it is only in a few cases that information is available for a sufficiently long period to be able to make relatively sound inferences about trends. Thus the data at hand and the analyses based on them do not enable a precise and reliable evaluation to be made of the direction in which income distribution is moving nor of its particular features with regard to social groups, occupation strata and educational levels.¹⁰

¹⁰ The available information has increased sharply in recent years, but the disaggregation, precision and reliability of the results are still inadequate. Most global estimates are based on assumptions which are apparently plausible but far from having been proven empirically. In addition, their coverage is only partial because they do not include items which, while not monetary income, are important for the levels of welfare and consumption of the different strata of the population (credit, consumption of own produce, personal services, etc.). Finally, the existing estimates only link in a very limited way the trend of income distribution with the accumulation and rotation of wealth. A large part of capital profits are not converted into income, but are retained in companies to produce further capital increments which constitute potential sources of future income. Due to these and other shortcomings, the problems of income concentration must be studied separately from the accumulation of productive assets and other forms of wealth. It is known that there is an almost osmotic relationship between the income pyramids and wealth but, unfortunately, there is little soundly-based knowledge available on this question.

For the time being, what is known about income distribution in the more representative countries of the region is that, with conjunctural variations, the trends towards concentration have continued to rise in most countries, have come to a standstill in some, and have dropped in only a very few cases.

Furthermore, two types of concentration may be observed. The first, at the apex of the distribution pyramid, as suggested by classical economic theory, we shall call *elitist* concentration. The second, mainly in the segment just below the apex, i.e., the upper middle sectors, we shall refer to here as *mesocratic* concentration.¹¹

It would be equally important to have data that would permit the study of the relationship between income distribution trends and the occupational structure, properly broken down by occupational types, levels and sectors. Similarly, better and more complete information is needed on education and its effects on distribution and on consumption by population strata and in relation to occupation and incomes. Finally, too little is known about the use of income in the consumption unit, i.e., the family, about who allocates and distributes it within the unit, and in accordance with what needs and criteria. These reservations on the quality and coverage of the statistical data on income distribution are not necessarily dispelled by the use in some studies of econometric devices with sophisticated mathematical formulae, statistical coefficients and graphs.

¹¹ It is only too well known that the problem of identifying and defining the middle sectors, strata or classes is highly complex, both because of their intrinsic nature and structural position—which can only be conceptualized in a broader general theoretical framework—and due to their own internal heterogeneity, which grows ever greater with the modernization of society. Besides these complications, there are those of a methodological nature which arise when one attempts to situate these social aggregates in specific contexts, i.e., when one thinks about them as occupational, educational,

In both cases, as the terms we have chosen show, these conceptual types allude not only to the direction in which income is mainly concentrated, but also to the nature of the prevailing structure of domination and the stratified groups predominant in it and in the income distribution. Thus the analytical categories used combine the dimensions of income and power, which converge at the apex both of the distribution and of the existing mode of domination. Consequently, the explicit proposition which

forms the point of departure for this study is that these two dimensions, income concentration and social power, are closely related. It is also assumed that the appropriation of income is one of the main targets of political action and struggle, particularly in the context of development styles defined by the need to achieve high rates of economic growth with patterns favouring concentration, so as to enable high private capital formation to take place in the economy.

3.

The types of income concentration and some illustrative cases

Our purpose in presenting the following data on income distribution is not to describe and explain the concentrative trends, at the national level, of the countries mentioned in the text¹² but rather to illustrate possible forms of distribution which appear to be emerging in the present Latin American economic

and political situation. Thus we shall study not national situations but cases embracing problems of a more general character, with a view to finding out whether it is possible to distinguish within them, as is assumed, varying trends in income distribution and concentration related to their more general social formations and socio-political styles.

consumption or income layers. The practical distinctions differ considerably. For our purpose, unless otherwise indicated the following income strata will be distinguished: *high*, those in the top 5 per cent of the distribution; *upper middle*, those immediately below, but not lower than the top 20 per cent (top 5 to 20 per cent); *lower middle* or *intermediate*, a vaguer category which generally refers to the levels beneath the preceding ones but above the bottom 40 per cent of the distribution; and *popular*, the remaining bottom 40 per cent, within which the *poor* represent the bottom 20 per cent of the distribution. To repeat, these groupings are conventional and approximative, and sometimes there are slight nominal or aggregative changes. Finally, distribution is most dynamic in the top 20 per cent, which is also where most of the modern sector of the economy is concentrated.

In other words, the problem is to determine the forms adopted by the process of income concentration, the degree of concentration in each group or stratum, and the explanation of these features of income distribution in a broader framework which takes into account the economic growth and socio-political dynamics of the styles of

¹² Naturally, we are not attempting to replace or even summarize the sources mentioned below, nor are we questioning their validity. In some cases, an indication is merely given of their limitations in coverage and comparability.

capitalist development in the region. The present study is aimed in this direction but has a more modest objective, which is little more than to indicate tentatively some of the more striking political and structural features of the process of income concentration.

The concentrative trends observed in most countries of the region can be classified in two clearly differentiated types which are, it may be recalled, elitist and mesocratic concentration. The two types are distinguished by differences in the main indicators of income distribution, but these in turn represent different development styles and thus varying coalitions of social forces promoting them through action in various political circles. All this is what we shall attempt to identify below. For the time being, we shall begin with the examination of the available empirical information.

The elitist type of concentration

This could be illustrated by the situations in a number of countries of the region. It is characterized by an increasing concentration of income among those at the apex of the distribution pyramid (top 5 per cent), at the expense of the middle and bottom groups. The strongest concentrative trend is in the urban sector, where almost all the industrial and service enterprises are to be found. Thus it is associated with the high growth rates of these activities, particularly the so-called dynamic ones, which are what give the expansion of the economic system its stimulus and main direction. In this stage at least, the effect of economic modernization tends to be concentrative, since the increment, mostly generated by the dynamic sectors of industry, tends to be accumulated as much as or more than income was

concentrated in the preceding stage. This may be seen from the rising coefficients of inequality and rates of participation of the groups at the top of the distribution, and also in the breakdown of income by productive sector.

The case of Brazil. This type of concentration may be illustrated by taking the case of Brazil, a country for which there are a number of good studies on income distribution trends based on the aggregate data obtained from the general censuses of 1960 and 1970. No other country in this category offers such possibilities or represents such a paradigm of a style of development for other countries of the region.

The various existing studies appear to be mutually coherent, since their more general estimates are highly convergent. In the first place, as may be seen in table 1, all the sources indicate, with slight variations, that between 1960 and 1970 the trend in income distribution was towards a clear and considerable concentration at the top, at the expense of the poorer half of the population.

The differences in the estimates in table 1 stem from the analytical outlook and the methodology adopted to adjust the figures, since in every case the data are taken from the 1960 and 1970 censuses.

A broader comparison could be made by considering all the strata, suitably grouped as in table 2, and in addition calculating the rates of growth (or negative growth) of their income during the period.

In connexion with Langoni's estimate which appears in table 2, it should be pointed out that it has the most moderate findings of all on the concentrative trends in income observed in the decade. Other authors such as Hoffman and Duarte, who also use the general censuses for the estimates but with

Table 1
BRAZIL: INCOME DISTRIBUTION, 1960-1970^a

Estimates	Poorest 40%		Richest 50%	
	1960	1970	1960	1970
- Fishlow	10.5	7.1	28.6	38.2
- Hoffman and Duarte	11.2	9.1	27.4	36.3
- Ministry of Finance	11.6	10.0	27.7	34.9

^aData taken from J. Serra, *A Reconcentração da Renda: Crítica a Algumas Interpretações*, in *Estudos CEBRAP-5*, July-September 1973, pp. 131 to 155. For the last estimate, see also C.G. Langoni, *Distribuição da Renda e Desenvolvimento Econômico do Brasil* (Rio de Janeiro, Expressão e Cultura, 1973, p. 64, table Nº 3.5) whose data coincide entirely. The same author makes a similar comparison for 1960 in table 3.3 (p. 62) and for 1970 in table 3.4 (p. 63).

Table 2
BRAZIL: COMPARATIVE INCOME DISTRIBUTION, 1960-1970

Economically active population	1960	1970	Relative increase 1960/1970	
			In points	In percentages
Poorest 50%	17.7	14.9	- 2.8	- 15.8
Next 30%	27.9	22.9	- 5.0	- 17.9
Next 10%	14.7	14.5	- 0.2	- 0.1
Richest 10%	39.7	47.8	+ 8.1	+ 20.4
Of which:				
(lower 50%)	(12.0)	(12.9)	(+ 0.9)	(+ 7.5)
(upper 50%)	(27.7)	(34.9)	(+ 7.2)	(+ 26.0)
(top 10%)	(12.1)	(14.8)	(+ 2.7)	(+ 22.3)

Source: C.G. Langoni, *op. cit.*, table 3.5 (p. 64). The figures on the relative differences between the two years were prepared by us on the basis of his data.

somewhat different adjustments, give figures which accentuate the differences between the two extremes of the scale. They indicate, for example, that while the income share of the poorest 50 per cent of the population dropped from 18 to 14 per cent between 1960 and 1970, a 4-point loss, the richest 5 per cent increased their share from 27 to 36 per cent, a 9-point (or one-third) gain, and the share of the top 1 per cent grew still more, rising from 12 to 18 per cent (a gain of 50 per cent over their share in 1960).¹³

¹³“The income distribution apex (in 1970) composed of the 5 per cent of remunerated persons who receive 36 per cent of total income, i.e., 26.4 times the average income of the half of the population situated at the other end of the distribution scale. This 5 per cent is the permanent basis of the market for consumer durable goods, a limited base which has moulded many of the characteristics of the industrialization process in Brazil.” The average level of growth of the lower half of the population “remained unchanged in this period, despite a 79 per cent rise in the GDP. If it is considered that the percentage of income recipients dropped from 35.4 to 31.4 per cent of the population between the two censuses analysed, we deduce that the per capita income of this part of the population must have dropped in some way. In the following deciles average incomes had increments of little significance. The significant increases in income were reserved above all for the 5 per cent of the population with the highest incomes” . . . “Our conclusion is that half the population was not reached by the benefits of economic growth (at least in monetary terms) and that the following 30 per cent had only marginal access to those benefits”. See R. Hoffman and J.C. Duarte, “A Distribuição da Renda no Brasil”, in *Revista de Administração de Empresas*, Vol. 12, Nº 2, April-June 1972, pp. 44-66 (quotation from pp. 59 and 60). It is also interesting to note the following observations by Celso Furtado: “The ‘upper middle class’ to which we refer is composed in Brazil of the 5 per cent of the population with the highest standard of living; the average family income of this group was close to 1 000 dollars in 1970. The provisional

Even more interesting is an analysis of the relative and absolute differences in the income pyramid in the decade 1960-1970. First, the strata which lost ground most noticeably are quite clearly those around the centre of the scale. While the bottom decile lost relatively little (-5 per cent), the deciles immediately above had smaller shares up to the ninth decile; in contrast, the share of the tenth (top) decile rose markedly. From a more detailed study of the strata which lost in relative terms it appears that those whose position suffered most were the strata in the group ranging from the fifth to the seventh decile, which show a considerable average relative loss (-22 per cent) with a slow decline towards the two extremes. The share of the eighth decile also declined, as did that of the ninth to a small degree.¹⁴

data of the 1970 census lead us to believe that the purchasing power of this group grew almost three times as fast as that of the average of the population” (Celso Furtado, *Análise do Modelo Brasileiro*, Rio de Janeiro, Civilização Brasileira, 1972, p. 42, footnote 32.)

¹⁴One analyst describes these movements as “downward levelling”: “An analysis of the changes in the income distribution structure in Brazil between 1960 and 1970 clearly shows what has been called ‘downward levelling’: during that decade average income rose 36.9 per cent, the income of the richest 5 per cent grew by 75.4 per cent, that of the poorest 40 per cent rose by 18.3 per cent and that of the intermediate 20 per cent scarcely grew by 7.7 per cent. As it happens, it is this middle 20 per cent whose average income is closest to the minimum wage. This means that in a period of high development in Brazil, the strata with incomes below the minimum wage, many of them belonging to the sub-proletariat, improved their position somewhat more than the worst-paid strata of the urban proletariat. Thus the inequality between the poorest strata of the country and the city was reduced by a genuine downward levelling movement; while at the

Secondly, a detailed study of the top decile confirms the assumption that concentration is greatest at the apex of the pyramid. The position of the tenth decile improved by 20 per cent over the rest of the population, whose relative share decreased, but the top quintile's share grew still faster, accounting for most of the growth of the decile, because the penultimate quintile's position only improved slightly. The share of the 1 per cent of the population with the highest incomes, for its part, grew more than the average for the tenth decile, but less than the top quintile. Thus the data conclusively indicate that the majority of the growth of income in this period was concentrated in the upper layer of the top quintile of the distribution scale, i.e., some 4.5 to 5 million persons.¹⁵

Another feature of the estimates in the above tables should be pointed out. Since they are based on the census data, they only took into account the *remunerated* economically active population (i.e., income recipients), thus excluding the unemployed and those who had recently joined the labour force and were still without work. Since the size of this group changed considerably between 1960 and 1970, falling from 14.7 to 11.7 per cent, the rise in

same time the gap between them and the privileged minority grew wider". Paul Israel Singer, "Implicações econômicas e sociais da dinâmica populacional Brasileira", in *Estudos sobre a População Brasileira*, São Paulo, CEBRAP, Caderno Nº 20, p. 15.

¹⁵ It should be borne in mind, at the risk of appearing repetitious, that the above differences refer to changes in the relative positions of the strata *within* the income pyramid, i.e., to variations in the size of their shares in the distribution, which represent gains or losses over other strata, and *not* to the increases in the average incomes of the various income groups.

employment had a positive effect, particularly in the poorer strata, although without being able to avert the considerable contraction of wages.

Fishlow, who studied income distribution in a somewhat different fashion, also concluded that concentration at the apex was very high.¹⁶

Some preliminary conclusions can be drawn from these data. In the first place, it seems clear that the income increments tended to be concentrated in the top 5 per cent, which absorbed more than one-third of total income at the end of the period. Secondly, the concentration was greatest in the branches of production and social areas where

¹⁶ "Although regrettable, the conclusion that inequality increased in the course of the decade seems to be correct. The 3.2 per cent at the top of the labour force in 1970 obtained 33 per cent of total income whereas in 1960 they received only 27 per cent . . . It may validly be objected that the 1970 data are not fair evidence of the implications of rapid growth in the capitalist mould" because "since 1964 (a little over half the decade), there has been continuous military government, and only the latter part of the period is characterized by considerable material progress. It is reasonable to assume that responsibility for the rise in inequality must be attributed to stabilization rather than growth. Between 1964 and 1967, as a result of strictly holding down nominal salaries and achieving 'corrective inflation'—price adjustments fixed administratively by the Government—real minimum wages fell by 20 per cent, and subsequently they barely kept level". A. Fishlow, "Distribución del ingreso por tramos en Brasil", in A. Foxley (ed.) *Distribución del ingreso en América Latina*, Mexico City, Fondo de Cultura Económica, 1973, pp. 106 and 107. Unfortunately this author did not form regular strata but rather income layers, producing uneven groups of economically active population which are scarcely comparable with strata grouped by deciles, quintiles, etc. This complicates any attempt at strict comparison with the other authors considered.

technological modernization and economic dynamism were strongest.¹⁷

Thirdly, the fact that the poorest categories in the distribution did not decline as much as the groups in the middle of the scale was due to various factors, particularly the policies designed to increase employment, social security and social services, with a view to eliminating "absolute poverty".¹⁸ Moreover, their closeness to the subsistence levels has made it almost impossible to push the incomes of these groups down, and this partly explains their resistance to further deterioration.

¹⁷ This conclusion is confirmed by the data relating to distribution by sector and income area, which show how income was concentrated more in the urban sector than in primary production. These disaggregated data show still more bluntly that in the *urban sector* the base of the pyramid (bottom 10 per cent) grew both relatively and absolutely while all the central part dropped very sharply, up to the eighth decile; in the ninth decile there was a slight reversal of the trend. There was very pronounced growth in the tenth decile, which in 1970 received 45 per cent of income. Once again the peak is in the top 5 per cent, whose share rose from 27 per cent in 1960 to 34 per cent in 1970. In the primary sector, this layer receives a smaller share and grows even less: in 1960 its share was 23 per cent against 27 per cent in 1970. The variation in this sector is only 16 per cent, as apposed to an improvement of 26 per cent in the urban sector. Cf. C.G. Langoni, *op. cit.*, tables 3.7 and 3.8, pp. 68 and 70.

¹⁸ "There also seems to be little doubt that one of the immediate consequences of the higher rate of growth is the drop in the level of poverty... because of the high level of employment". These arguments are put forward by C.G. Langoni, *op. cit.*, p. 214. The effect of the expansion and improvement of employment on income distribution has been stressed by an ex-minister, A. Delfim Netto, in his preface to Langoni's book. Fishlow has questioned the point that the greater inequality was due to the rapid growth of the economy. Contrary to what Langoni maintains, he argues

Fourthly, it has also been argued that the great expansion of education in this period helped to increase employment opportunities in an economy undergoing a process of rapid technological modernization.

Finally, the trend appears to have been one of concentration of income in the form of profits from capital and property rather than wages and salaries. This was more accentuated in the modern sector, where the advantages of productivity have had little effect on average wage levels, which have fallen behind and failed to share fully in the benefits of technical progress. Thus average real wages have lost ground, despite the considerable progress brought about by the technological modernization of the Brazilian economy.¹⁹ This observation is not affected by the fact that in the same period nominal wages underwent a very marked hierarchization and diversification.

that inequality became greater in the recession period (1964-1967) and was therefore not the result of the upheaval caused by the rapid growth in the following period. Thus it was the slow growth during the period of the stabilization policies which was associated with the most regressive effects, since it particularly affected real wages and salaries. Cf. A. Fishlow, "Distribuição da Renda no Brasil: Um Novo Exame", *Dados*, Nº 11, 1973, pp. 23 and 28. This same work also contains the study by C.G. Langoni, "Distribuição da Renda no Brasil: Resumo da Evidencia", where he argues with Fishlow about the interpretation of the Brazilian economic process.

¹⁹ Hoffman and Duarte, *op. cit.*, give some figures which confirm this. For example, in São Paulo between 1961 and 1970 there was a steady drop in real wages amounting to 30 per cent (page 61). The table below shows how real wages in Brazilian industry, primarily manual workers' wages, fell behind in comparison with the rise in productivity, which would confirm that the relative share of capital profits improved.

Hoffman, seeking to interpret this concentrative process, asks "Why was there a rise in the degree of concentration of income in Brazil in the 1960-1970 decade, primarily in the secondary and tertiary sectors? The explanation of the process must lie in the Brazilian model of development". There can be no doubt, for the time being, that various aspects of government economic policy are directly linked with the rise in concentration: (a) "the value of the real minimum wage fell sharply during the period"; (b) "there was a decline in the negotiating power of the workers", who "were the object of frequent intervention" on the part of the State; and (c) the changes in the "system

of compensation for unfair dismissal and of job security", made it easier for entrepreneurs to rotate staff without carrying out the wage readjustments or paying the extra remuneration for length of service. This "compression of wages" reduced the amount of resources needed to pay the less skilled workers and thus made possible a more hierarchical wage structure, with a great improvement in wages in the middle and upper levels and a relative drop in the wages of the unskilled workers. There have been various interpretations of this process of wage differentiation, as is shown, for example, by the disagreement between Langoni and Fishlow on the role of education in the dynamics of income

**INDICES OF WAGES AND PRODUCTIVITY IN BRAZILIAN
INDUSTRY BETWEEN 1955 AND 1966**

(1955 = 100)

Year	Wage-earners in general			Manual workers only		
	Real wages	Productivity	Wage productivity ratio	Real wages	Productivity	Wage productivity ratio
1956	107	107	1.0	108	107	1.0
1958	114	130		113	132	
1962	120	164		112	173	
1964	132	172		129	175	
1966	121	172	0.70	119	178	0.67

Source: Instituto de Pesquisa Econômico-social Aplicada (IPEA), *A industrialização brasileira: diagnóstico e perspectivas*, Rio de Janeiro, 1969, p. 46.

Commenting on these and other data, the authors conclude as follows on the problem of wages: "The labour market situation has enabled the wages paid by the dynamic and the traditional industries to be brought level or at least has ensured that the wage difference between them is not very great (this is also visible in the service sector). In these conditions, given the differences in productivity, it may be assumed that the sectors which benefited most in the twin process of growth and concentration of income are precisely those which contain the 'more modern activities' ". (P. 61.)

L.C. Bresser Pereira, "El nuevo modelo brasileño de desarrollo", in *Desarrollo Económico* (Buenos Aires, vol. 14, Nº 55, October-December 1974, pp. 575 *et seq.*) provides further information on the deterioration of real wages, and particularly the minimum wage, during this period.

distribution. In this connexion Hoffman observes that differences in levels of education "explain" only part of the difference, and that in any case the education variable is used in the Langoni model as a residual variable, like a sort of "rag-bag", since "the absence of variables such as wealth and social status of the family, which are in fact positively correlated with the educational level, leads to an overestimation of the influence of this variable". It was "the Government's wage policy" which "really helped to keep down the wages of illiterate workers or those with only primary education and by lightening the payrolls of the enterprises made possible an increase in the salaries of the upper-level and management employees" who are certainly better educated. "Since 'political' variables do not enter into the Langoni model, much of government action is 'explained' by means of the education variable".²⁰

²⁰ R. Hoffman, "Consideraciones sobre la evolución reciente de la distribución de la renta en Brasil", *Nueva sociedad*, N° 16, January/February 1975, pp. 18-19. Again from the standpoint of the analysis of the Brazilian Government's role in income concentration, Fishlow has stated that "from 1967 government policy had an adverse effect on wages inasmuch as real salaries rose less than the productivity of labour". He goes on to say that "government policies created a situation in which the persons at the very top of the distribution could gain in comparison with those below, and since the top group was well educated the income differential according to educational qualification increased". Thus education became a concomitant, but was not the cause, of the differences in income, which Fishlow attributes instead to government policies and the concentration of wealth, the latter being of fundamental importance in the creation and persistence of income inequality in Brazil. "There is a serious danger that the problem of inequality may be viewed as a transitory phenomenon, to be remedied by

There has certainly been more divergence as regards the appraisal of the changes in the distributive pyramid in the period 1960-1970 than with regard to the situation reflected by the statistical data used by the analysts. It is not for us to join in this highly prolific polemic. To conclude our consideration of the Brazilian case, perhaps the best course is to draw up a balance-sheet of the positions and indicate the points on which the controversy seems to have raged most fiercely. Langoni, who has set himself up as defender of the process, has started from the assumption that the rapid growth of production generates disruptive effects in the flows of income and tends to concentrate them temporarily, until corrective factors enter into play. There are basically two such factors: the first is the rise in employment, particularly in the modern sector, as mentioned above; the second, more indirect, is the growth of education, to which he attributes considerable corrective power inasmuch as it helps to equalize opportunities.

All of these points have been disputed. However, it could perhaps be said that a common theme of central importance for the present study emerges from this debate: namely the government's social and economic policies. While they have been evaluated in different ways, there is general agreement on their influence in the differential distribution of income. We shall return below to the problem of the relationship between the political régime

growth and some modest reforms alone, and not as the heritage of the past accumulation of wealth and capital. . . . Inequality should not be diagnosed in such a way as to exclude from the outset the factor which is possibly strongest: the redistribution of physical assets". Cf. A. Fishlow, *ibid.*, pp. 29 and 45.

and the State and its effect on shaping income concentration patterns.²¹

Unfortunately, income distribution statistics are incomplete in most countries and only relatively reliable conclusions can be drawn from them on the distributive situation and income concentration in specific years. With these reservations, some other Latin American countries may be singled out to illustrate further the elitist type of concentration: El Salvador (around

²¹ Many studies have been made of the so-called "Brazilian political model", which began with the political régime installed in 1964 but acquired its definitive form more recently in 1968. These do not always agree, either because of the approach adopted or due to the influence of their value judgements on the choice and interpretation of facts. A summary and reasonably objective description was made recently by Fernando Henrique Cardoso in the following terms: "the Brazilian political model... did not cease to have an objective basis and to be useful to the ends of the triumphant political groups. The prevailing authoritarianism enabled the State apparatus to be reorganized, abolished the previous party system (and thereby the political representation of the popular classes and urban workers and also of large sectors of the former dominant classes) and brought into the political process, on new terms, the armed forces and the social groups representing the monopolistic sectors of the economy. These changes helped to shape the "economic miracle" in the form in which it occurred: *with income concentration and social inequality*. In addition, the economic intervention of the State and foreign investment could more easily be combined in the authoritarian climate which prevailed following the dismantling of the former political order... In sum, the leading sector of this power bloc is recruited from the armed forces and depends on them as a corporation, while receiving firm support from the technocratic sectors". F.H. Cardoso, *Autoritarismo e Democratização*, Rio de Janeiro, Paz e Terra, 1975, pages 225-226. (Underlining added.)

1965), Guatemala (1965), Peru (until 1968) and Chile (since 1973).²²

The mesocratic type of concentration

The cases which could be taken into consideration to illustrate this type of concentration correspond to a number of countries which, in various phases of their recent development, present distribution situations with definitely mesocratic features. The examples could include Chile under Frei and Argentina in the post-peronist period between 1955 and 1963. Other countries such as Uruguay (1968) also have distribution structures which follow the same pattern.²³ The available information is

²² The data on Peru and Chile, while still fragmentary, are considerably more complete than the data on the first two countries. On Peru see, in particular, Richard Webb and Adolfo Figueroa, *La distribución del ingreso en el Perú*, Instituto de Estudios Peruanos, Lima, 1975, *passim*. As for Chile, the following studies may be mentioned, among others: Michael Chossudovsky, "Hacia el nuevo modelo económico chileno. Inflación y redistribución del ingreso", *El trimestre económico*, No 166, April-June 1975, pp. 311 to 347; Ricardo Lagos and Oscar A. Rufatt, "Military government and real wages in Chile: A Note", *Latin American Research Review*, Vol. 10, No 2, Summer 1975, pp. 139 to 146.

²³ See CEPAL, *Income distribution in Latin America*, United Nations publication, Sales No S.71.II.G.2, New York, 1972. This is the most thorough of the many studies on the topic, and it shows interesting swings in distribution which are related to changes in the political situation. See also CEPAL, *Economic development and income distribution in Argentina*, United Nations publication, Sales No S.68.II.G.6, New York, 1968. For more recent and up-to-date information, see the publications of the *Proyecto sobre medición y análisis de la distribución del ingreso en países de América Latina*, CEPAL/IBRD, Santiago, 1974/1975, mimeo.

incomplete, only relatively reliable and often barely comparable. With these limitations, perhaps no other known examples approach closer to the mesocratic type of concentration than the cases of Venezuela, Mexico and Costa Rica in recent decades, countries for which recent information is available.

These three countries are the cases which will be analysed below on the basis of published data and well-known studies both by CEPAL and obtained from other sources. In any event, it may be recalled that—as in the case of Brazil—the empirical analysis of the specific form of income distribution in these countries is above all a qualitative matter, primarily designed to illustrate an analytical model. In other words, our aim is to shed light on the problems raised above in connexion with the dynamics of income concentration in the process of Latin American capitalist growth and the forms it has taken in national political settings and specific historical situations. This methodological and substantive goal means that the presentation and study of the cases must necessarily be sketchy, indicating only those aspects of the situation which are considered of prime analytical importance in the model. What is of interest here is to stress the presence and influence of a number of non-economic factors in shaping a mesocratic type of concentration.

The case of Venezuela. What is known about the Venezuelan experience is interesting in many ways because it shows how the mesocratic type of income concentration, currently prevalent in Venezuela as well as in other countries of Latin America, is constituted and how it works. The CEPAL

general study²⁴ mentions various historical and structural factors which have played a considerable part in shaping income distribution in that country: (a) a rapid, sustained growth rate over a long period; (b) a small “primitive” sector which only influences the lower and intermediate levels of distribution; (c) a rapidly-growing “modern sector” in which most of domestic income is concentrated, spearheaded by (d) a petroleum enclave largely under external control, which pays high wages and salaries and high prices for national inputs, thus raising wage levels in the domestic sectors; (e) this redistributive effect of the transfer of income from the petroleum enclave creates domestic demand, which gives rise to a sophisticated market supplied in the first place through imports and subsequently through technologically-advanced substitutive industrialization also paying high salaries as well as fat dividends to its owners; and finally (f) a State whose appropriation of income generated by petroleum increased considerably during the period, and which reallocates this income as investment in infrastructural and public works, education and social policies which contribute to the accelerated growth of a new techno-bureaucracy and a rapidly-growing public productive sector. The State has acquired a central, strategic position in the Venezuelan economy and its importance is steadily increasing.

The above-mentioned study points out that the crisis of the thirties harmed the traditional privileged minorities whose position was primarily based on

²⁴ CEPAL, *Income distribution in Latin America, op. cit.*, pp. 52 to 61. The data are mostly taken from a study carried out in 1962, supplemented by estimates for 1960-1970 and earlier years.

the growing and exporting of cocoa and coffee. Their incomes declined because of the sharp drop in international prices, while petroleum prices were climbing and thus strengthening the leading position of the petroleum sector in the country's economy.

These events changed the traditional Venezuelan structure and led to a distribution of income with the following features: first, "the poorer half of the population receives a smaller proportion of total income than in any other country of the region" (p. 52). The lower levels obtained relatively lower incomes: the poorest 20 per cent receives scarcely 3 per cent of total income (as against 7 per cent in Argentina), although in absolute terms their incomes are a little higher than the regional average, and "these groups have been almost untouched by the rapid growth of recent years" (p. 54). The coefficients of inequality in Venezuela are very high but, in contrast with the rest of the region, this is caused more by inequality throughout the distribution than by the concentration of income at the very top of the scale (p. 52).

Secondly, in the intermediate levels income rises much more rapidly than in most Latin American countries. This rise becomes very steep in the 7th, 8th and 9th deciles of the scale. On the other hand, the rise at the top level is lower, as may be seen particularly in the 5 per cent at the very top of the distribution, whose share has declined relatively. It should be noted that the share of salaries in this top 5 per cent is the highest in the region (p. 60). Thus the weight of property in income concentration is considerably lower than in the countries belonging to the elitist type.

Thirdly, income tends to be concentrated in the top half but not the very top 5 per cent. "The groups which have

benefited most from the special form of development of the Venezuelan economy are those in the top half of the distribution but below the very top of the scale . . . Both the 30 per cent above the median and the following 15 per cent receive a larger share of total personal income than in any other country of the region . . . but at the very top of the scale (10th decile), the inequality is less extreme than elsewhere in the region" (p. 56).

To sum up, then, in this type of distribution concentration occurs in the higher groups but below the top of the scale, at the expense of the relative position of the top 5 per cent and of the lower half of the distribution, which becomes relatively poorer. Recent trends in income distribution have tended to strengthen this type of distribution, although there is also a complementary trend towards a higher share for other middle groups below those in which income has been most concentrated in recent years. The concentration is tending to spread downwards, but slowly.

The explanation of this pattern is very tentative and sketchy. The big foreign enterprises have lucrative advantages in petroleum which have enabled them to pay higher salaries "to avoid either a political or an economic threat to their position" (p. 57). However, there has been constant political and economic pressure on them from the State and other circles, thus causing a considerable transfer of income towards the domestic sector which has led to the strengthening of the State and the diversification of the national economy. This interplay with the foreign petroleum companies has fostered the emergence of strong political leadership in the hands of a powerful State, a nationalistic ideology and an active and energetic

political class capable of articulating group interests and promoting their economic demands on the foreign enclave. It has also led to a "political market" which is relatively open and dynamic, where the various social forces take shape and demands are fought out, legitimated by "broader", but by no means full political participation.²⁵ The political class and electoral consultation are thus of fundamental importance in the formulation of policies and the definition of the style of development.

All this is true of contemporary Venezuelan society which, contrary to the prevailing trends in Latin America, has been able not only to preserve but also to develop a civil and democratic political style with increasing participation, undoubtedly favoured by the dynamism of its flourishing external sector. Fundamental in this evolution has been the fact that the social sectors and groups which have gained power have been able to express themselves and have their way, thus creating a peculiar distribution structure in which their demands are clearly reflected in the type of income concentration. This is a typical *mesocratic* concentration of income, which expresses the predominance of a power structure in which the presence of a political class, a coalition of urban and rural, civil and military middle sectors (bureaucrats, professionals, entrepreneurs, intermediaries, etc.) nuclei of organized urban workers, and the mobilization of broader sectors of the population have helped to create a pluralistic and stable political régime which enjoys reasonable legitimacy. All this gives it a foundation of consensus

²⁵ These terms are used in the acceptance given them by G. Germani, *Política y sociedad en una época de transición*, Buenos Aires, Paidós, 1962, Chapter V, pp. 147 to 162.

which is unusual in the present Latin American political setting.

The case of Mexico. The structure and trends of income distribution in Mexico present striking similarities with Venezuela.²⁶ Both countries are good illustrations of the mesocratic type of concentration. Mexico also has the advantage of possessing data and studies on income distribution going back to 1950. Table 3 shows the structure and evolution of the distribution from that year.

A rapid survey of the preceding table and of other data in the above-mentioned study²⁷ permits a number of important conclusions. First, the relative position of the lower half of the distribution declines throughout the period. This drop is particularly sharp in the case of the poorest 20 per cent, whose share grows at a rate three and a half times below the national average (1.2 per cent in comparison with 4.1 per cent).

²⁶ The similarity is explicitly recognized in CEPAL, *Income distribution in Latin America*, *op. cit.*: "The distribution of income in Mexico is basically quite similar to that just described for Venezuela. Minimum incomes are again low and the poorer half of the population receives a very small proportion of total income. There is also the considerable inequality throughout the distribution . . . the rise at the very top is again relatively smaller and although the top 5 per cent receives a considerably larger share of the total than was the case in Venezuela, the share is still smaller than elsewhere in the region and the inequality is due less to the concentration at the very top of the scale. The similarity between the income distribution of the two countries can be readily seen. In the various ways of viewing the distribution, the values calculated for Mexico and for Venezuela consistently fall close to each other on the scale" (p. 61).

²⁷ CEPAL, *Income distribution in Latin America*, *op. cit.*

Table 3
MEXICO: INCOME DISTRIBUTION BY STRATA FROM 1950

	1950	1958	1963	1970	Rate of growth 1950- 1963
Income strata					
Lowest 20 per cent	6.1	5.0	4.2	3.7	1.2
Next 20 per cent	8.2	7.1	6.9	7.9	2.7
Middle 30 per cent	17.3	16.4	16.3	20.0	3.6
Upper middle 20 per cent	19.4	22.2	22.7	27.1	5.3
Top 10 per cent	49.0	49.3	49.9	41.3	4.2
of which:					
(lower 5 per cent)	(8.9)	(10.7)	(11.6)	(12.3)	(6.2)
(upper 5 per cent)	(40.2)	(38.6)	(38.3)	(29.0)	(3.7)
Rate of growth of per capita national income 1950-1963					4.1

Sources: For the series 1950-1963 the data were taken from the study by Ifigenia M. de Navarrete, "La distribución del ingreso en México: tendencias y perspectivas", in Víctor L. Urquidí *et. al.*, *El perfil de México en 1980*, Mexico City, Siglo XXI, 1970, vol. I, table 2, p. 37. The data for 1970 are taken from unpublished CEPAL estimates and are included as more recent illustrations, although they are not strictly comparable with the data for the earlier years on methodological grounds; with these limitations, they clearly confirm the trends already noted.

Secondly, the lower intermediate stratum, which includes up to the 30 per cent above the median, retains its share of total income and grows at a rate equivalent to the national average. In other words, it maintains its relative position.

Third, the share of the upper middle stratum formed by the 15 per cent below the top 5 per cent grows at a much higher rate than the overall average. It is in this group that there is the greatest concentration of increases in income during the period.

Fourth, the top 5 per cent clearly loses ground, dropping from 40 per cent

to 29 per cent between 1950 and 1970. This decline contrasts sharply with the rise which occurs in the 5 per cent immediately below, whose share of income rises from 9 per cent to 12 per cent (i.e., by one-third).²⁸

Finally, a glance at the overall trend shows that the share of the upper middle strata increases at the expense of the two extremes of the distribution, the poorest and the richest, thus clearly illustrating

²⁸ Thus, the position and trends of the top strata and, also, in general, the lower half, are the opposite of what has been noted above in the case of Brazil.

what we have called in this study the mesocratic model.²⁹

The same CEPAL study goes on to note that "the share of the top income group... varies with the social and institutional structure in any particular country".³⁰

In an earlier CEPAL study³¹ there is a review of the factors and processes which helped to shape the present profile of the distribution of income in Mexico. The study notes that in the 1940s the changes led to greater inequality in the distribution of income and a widening of the gap between the different socioeconomic categories of the population: the average incomes of entrepreneurs rose more than the average increments of wage-earners and export agriculture grew, while the situation of the wage-earners and small rural producers deteriorated in absolute and relative terms (p. 202). Industrialization gained strength in the 1950s and came to the forefront of economic growth. The overriding feature in more recent years has been the strengthening of *public action* as a factor influencing the characteristics of the distribution (p. 203).

The present profile of the distribution is characterized by a number of features and processes. First, the internal structural differences, the differences among wage and salary earners

(according to the sector, specialization and degree of modernization of the productive unit) and those among entrepreneurs (small and large, traditional and modern producers, etc.) have widened.

Second, the State has been implementing industrial promotion policies which favour large-scale enterprises at the expense of other sectors, particularly small family agricultural concerns.

Third, the gaps between salary levels have been widening, particularly between 1940 and 1950—a process heavily influenced by government price- and wage-fixing policies, which consolidated the relative deterioration of salaries and their greater internal stratification.

Fourth, growth was rapid and sustained throughout the period, but in the initial phase it was accompanied by continuous inflation and big sectoral differences in growth-rates, partly caused by the great contrasts within the process of technological modernization.

Fifth, in this situation a "worker aristocracy" has emerged, in the form of the highly-paid employees of the modern, high-productivity enterprises, who are unionized and linked to the State's political apparatus. There is also a stratum of executives, technical experts and professionals with close ties with the more dynamic productive sectors and the State administration.³²

²⁹ "Growth has benefited primarily those in the upper part of the distribution but below the top; and both those at the very top and those at the bottom have seen their share of total income decline in the process". (CEPAL, *Income distribution in Latin America, op. cit.*, p. 64.)

³⁰ *Ibid.*, p. 64.

³¹ CEPAL, *Estudios sobre la distribución del ingreso en América Latina, op. cit.*

³² An interesting and illustrative study about the formation of the social awareness of a group of supervisors and semi-skilled workers in the process of becoming conspicuous members of a "worker aristocracy" may be found in J.A. Kahl, "Tres tipos de trabajadores industriales mexicanos", in J.A. Kahl (ed.), *La industrialización en América Latina*, Mexico City, Fondo de Cultura Económica, 1965, pp. 217 to 224.

Sixth, towards the end of the period (particularly in the 1960s) the Government has followed redistributive policies which expanded education, health, social security, housing and other services. These services also represent new job opportunities for the bureaucratic, technical and professional middle sectors. The effects of these policies in the poorer sectors appear to have been very limited.³³

The original pattern of income distribution was conditioned by various processes. In the first place there was the "Mexican revolution", which radically changed the agricultural social structure and, in particular, the régime of land tenure and the concentration of land in *latifundios*. The agricultural oligarchy was practically destroyed, and along with it its economic power and the traditional class structure of which it had been the main component and prop.

³³ "It is striking that all these efforts (the social services policies) have not come to be adequately reflected in any improvement of income distribution by levels, which, as we have seen, was limited to the intermediate groups and did not extend to the lower income strata... This suggests in part that the redistribution policy was more efficient with respect to the wage-earners whose income concentration was (previously) greater, and who were better organized and primarily urban, than in the sectors made up of the lower strata of the distribution, primarily wage-earners in agriculture and specific services", as well as independent producers, more than half of whom (53 per cent) are in the lower half of the distribution. Cf. CEPAL *Estudios...*, *op. cit.*, pp. 227-228. (Underlining added). On this problem, see also the well-known study by Pablo González Casanova, "Sociedad Plural y Desarrollo: el caso de México", in J.A. Kahl, *op. cit.*, pp. 262-273; and also his book *La democracia en México*, Mexico City, ERA, 1965, Chaps. V and VI.

Second, no less important was the process of institutionalization and the shaping of a political régime centered on a government party which seems to have become one with the State, as it has a great capacity to articulate and represent very varied and often contradictory interests.

Third, although the nationalization of the petroleum industry during the *Cardenista* period was an important step in the development of the Mexican revolution, more recently foreign investment and transnational corporations have acquired increasing weight in activities ranging from some key industrial sectors (motor vehicles) to important services like hotel-keeping and tourism. In addition, commercial and financial links with the United States are very close.

Finally, the State has played a central role in all this process; its action has had a decisive effect on the present shape of the Mexican economy and, above all, on the preponderance of certain groups within it. A new sector of entrepreneurs and industrial executives (national and foreign), a large technobureaucracy and a stratum of high-income technical experts and professionals, allied with the union leaders of the urban workers in the modern sector and of the agricultural workers, together with other middle sectors in trade and services, have managed to consolidate a stable political régime through an institutionalized alliance in a political apparatus (the PRI), which represents a relatively broad social base articulated with an influential political class.³⁴

³⁴ The specific profile of income concentration in Mexico has caught the attention of analysts of Mexican economic development and politics. One author who has reviewed much of the extensive literature on the subject reaches

The case of Costa Rica. Costa Rica offers some interesting variants of the mesocratic type of concentration. Table 4 shows the changes in income distribution by strata in the course of a decade.

The utmost caution must be observed in interpreting these data because of the variety of sources from which they are taken — whose compatibility is not examined in the study in question — and also because of the aggregation in the centre where very diverse and heterogeneous income strata are grouped together. All the same, a clear trend may be seen

the following conclusions: "In the last 30 years, a large part of the bill for rapid industrialization has been paid by large reductions in the consumption of the great majority of Mexican society situated at the very bottom of the income scale. Between 1940 and the early 1970s, the rich in Mexico have become richer and the poor poorer... Two generalizations may be made about the course of economic development in Mexico. The first is that no other Latin American political system has provided greater rewards to its new industrial and agro-business elite" or done "so little directly on behalf of the poorest quarter of its population...". "What seems to have occurred in Mexico after 1940 is that one particular social group, a new agricultural-industrial elite, has been permanently favoured by government policy"... However, "the Mexican development strategy to date has triumphed because the socio-political development of the country has favoured rather than obstructed government policy and the private sector's response in the interests of higher growth. On various occasions, other Latin American countries have adopted similar policies; however, in general these policies have been the victims of social and political pressures which, in Mexico, have been better contained". The author points out that "in recent years there has been a clear drop in the concentration of income in the top 5 per cent of Mexican families" and that those benefited by development are the groups immediately below; "thus the present political system has averted an increasing concentration of political power in the hands of a few unchanging individuals... (and this reveals) the

towards concentration beneath the very top of the scale. In addition, the study on which table 4 is based indicates that concentration is greater in the capital and lower in the rural zones, and these differences have been growing bigger. In the national development plan of Costa Rica³⁵ these income variations are attributed to the increasing complexity of the economic system. "In the high strata there is greater diversification" at the same time as "a consolidation of their social position by the concentration of wealth in the rural and urban sectors" which has increased in recent years. The middle strata have grown and improved their share of income because of "the existence of strong associations promoting and defending their demands". "The situation is very different for the lower strata. Clearly, some have improved their position inasmuch as they have managed to become incorporated in the dynamic sectors of the economy, but it is also true that a considerable portion continues to have

rotating nature of the elite within the political system, and shows that there is a trend towards less income concentration in the highest income groups". In other words, he asserts that it is the style of Mexican politics, notwithstanding the concentrative trends it engenders, which has been successful in avoiding the oligarchization that would have occurred if political power had been frozen due to a lack of adequate rotation of its elites, and if income had been concentrated in the very top group, thus strengthening its position in the prevailing structure of domination. This certainly did not happen, and it is precisely in this fact that one may perhaps find much of the explanation for the unusual political stability achieved by Mexican society over the last 40 years. (Roger D. Hansen, *La política del desarrollo mexicano*, Mexico City, Siglo XXI, 1974, pp. 96, 97, 117, 119, 134 and 236.)

³⁵ Annex III, 1974, p. 6.

Table 4
COSTA RICA: VARIATIONS IN INCOME DISTRIBUTION

<i>Income strata</i>	1961	1971
Bottom 20 per cent (1st and 2nd decile)	6.0	5.4
Intermediate 60 per cent (3rd to 8th decile)	34.0	44.0
10 per cent below the top decile (9th decile)	14.0	16.2
Top 10 per cent (10th decile)	46.0	34.4
(Top 5 per cent)	(35.0)	(22.8)

Source: V.H. Céspedes S., *Costa Rica: La distribución del ingreso y el consumo de algunos alimentos*, Serie de Economía y Estadística, N° 45, Universidad de Costa Rica, San José, 1973, table 13, p. 58.

an unsatisfactory standard of living", and that "unemployment and under-employment continue to run at high levels, and a quarter of the total population receive clearly inadequate incomes". Elsewhere in the same study,³⁶ after repeating that "the position of the elite in the economic power structure has been strengthened", emphasis is laid on the high growth of the dependent middle strata, both private and public, due to the fact that "their high organizational level and lobbying capacity in the political system have enabled these strata to absorb a considerable proportion of the national income."³⁷

³⁶ *Plan Nacional de Desarrollo, op. cit.*, Annex I, "El cierre de la brecha social", pp. 22 to 24. This annex was prepared by A. Gurrieri and P. Sainz.

³⁷ After the present study had been completed, we came across the excellent work by A. Figueroa and R. Weisskoff, "Visión de las pirámides sociales: Distribución del ingreso en América Latina", *Ensayos ECIEL*, N° 1, November 1974. The authors made a diagnosis of the situation which coincides with our own.

In the first place, they identified "two patterns of trends. The first reflects a gain by the richest 5 or 10 per cent and a relative loss by the poorer 90 per cent... The formation of 'bourgeois society' is reflected in the second model, in which the bottom 60 per cent and the top 5 per cent give up some of their share of the income in the process of the growth of the 'middle class'..." Their examples include Brazil in the first case, and in the second, Mexico. They go on to observe that the prevailing style of development is not a redistributive force for greater overall equity, but on the contrary "whatever the pattern of 'redistribution' during the growth process, one thing is clear from these empirical results: development entails a decline in the relative share of the bottom 60 per cent", i.e., the poorest strata. "In the case of Peru, estimates have been made on the basis of trends in the real income of the different social groups in the period 1950-1966. The result is that those employed in the modern sector, which constitutes the richest quartile, increase their real income more than the other groups... After 1968, when the present military government began a series of reforms, the trend has been towards a transfer of income from the richest 1 per cent to the rest of the top quartile." In any event, they confirm the earlier assertion about the pauperization caused by growth. "... The five countries examined show that in every case the poorest 60 per cent suffered relative losses in their share of national income" (pp. 90, 91 and 112).

4.

Types of income concentration and political régime

Economic explanations, even in a historical perspective, provide a good starting point when attempting to describe the specific features and general stability of the structure of income distribution within an economic and social system which, like the capitalist one, imprints a very clear pattern on it.³⁸ The private appropriation of the means of production, the concentration of ownership and the régime of remunerated work constitute solid structural bases on which a variety of possible income-distribution pyramids may rest. These bases form a relatively broad framework which can accommodate different distributive patterns. However, the specific form of income distribution will be closely linked to the dynamics of power, or the social forces which control the State and thus the styles of development which the State promotes.

We have already seen that authors like Kuznets and Lewis have indicated that according to the experience of the

³⁸ There is certainly much evidence to show that in conditions of hegemonic stability (in other words, in the absence of social revolutions) the basic structure of the capitalist distribution of income in the long term possesses very great continuity. Titmuss showed this in the case of England. Cf. R. Titmuss, *Income Distribution and Social Change*, Allen & Unwin, 1962. More recently, a somewhat similar assertion has been made in the case of Colombia: "In general terms, it may be said that income distribution did not change significantly between the 1930s and the 1960s", M. Urrutia, "Distribución del ingreso en Colombia", *Revista Internacional del Trabajo*, Vol. 93, N^o 2, March-April 1976, p. 232.

original industrialized countries the concentration of income inherent in capitalist development necessarily occurred at the very top of the scale because that was where savings and, complementarily, investment were greatest.³⁹ Thus only this top group converts income into productive wealth, in proportions which are large but difficult to estimate exactly.⁴⁰

This is the essential mechanism of classic capitalist accumulation during the take-off stage, at the beginning of the industrialization and technological modernization of the economy. On the basis of this argument, "premature redistributionism" has been roundly rejected as contrary to the logic of capitalist development, since any expansion of the distributive base would destroy the essential dynamic elements of the system and the economy would be condemned to incurable stagnation. Hence the spurning of the "populist" solutions which are considered to be redistributionist in substance since they work against the private accumulation of capital.

³⁹ C.G. Langoni forcefully reasserted this argument not long ago: "One of our central arguments is that the acceleration of growth inevitably leads to a higher degree of concentration" (*op. cit.*, p. 214).

⁴⁰ Cf. S. Kuznets, who argues that in the United States the top decile accounts for practically all *personal* savings, and the top 5 per cent for over two thirds of the total (*op. cit.*, p. 7).

Nevertheless, the studies of income distribution in the majority of Latin American countries show that the growing concentration at the very top is not inevitable, and that some countries have achieved long periods of rapid economic growth in conditions where the rise in income is concentrated in the groups immediately below the very top, so that the benefits of growth are thus more widely spread. This makes possible a broader consensus which can hold together and facilitate the working of a more democratic political style, although it is still nothing more than a "limited participation" version of democracy.

This type of capitalist concentration, which we have called mesocratic, does not necessarily come after elitist concentration as the next stage in a "natural" process, as appears to have happened in the highly industrialized capitalist countries.⁴¹

On the contrary, in Latin America two types of income concentration coexist in countries which are in relatively similar stages of modernization of their productive forces, although their political styles differ considerably. What is more, it may be seen that both types of concentration may occur in a single country at different times, without considerable qualitative changes having occurred in the economic structure.

As illustrations, one may mention Brazil before and after 1964, Chile over the last decade and Uruguay at various

stages over the last 20 years. Thus the difference lies in the pattern and dynamics of the political régime, which is the factor that "explains" the transition from one type of income concentration to another. Of course, the changes in the distribution which have occurred in these countries, like those which have applied in other countries which, like Mexico and Venezuela, have more stable structures of mesocratic concentration, have not been the mere consequence of conjunctural variations or intersectoral changes in economic production, nor still less of inescapable historical trends in the technological modernization and organization of the economy.

These changes in the pattern of income distribution are essentially political in nature. Whether one is describing, for example, the rise or fall of a populist régime, or the formation of new alliances of social forces, the problem directly concerns the political régime. This is so because in the new circumstances there tends to be a profound change in the real functions of the State and the orientation of public policies in respect of development, which may perhaps lead to a new style of development accompanied by different forms of income concentration.

The correlation between the political régime and the profile of income concentration is certainly very close. The elitist and mesocratic types of concentration coexist with political régimes which are specific to them and may largely be explained through them. In general, the forms of concentration are closely linked to the degree of modernization of the economy, the organization of civil society, the levels and forms of political participation, and the influence of certain groups over State action, as well as the structure assumed by the State

⁴¹ The experience of these countries should be viewed with interest but with caution. In relation to these problems, historical extrapolations have been shown to be often misleading and false, since they have been based on factors and conditions which are supposedly constant but are not so in fact. The "ceteris paribus" fallacy is often difficult to avoid and customarily leads to mistaken conclusions.

within this framework. Income concentration depends, in the last analysis, on the political capacity of the "managing minorities" to "oblige the majority of the population to accept increasing social inequality".⁴² In other words, on the degrees of authoritarianism and negotiation which coexist in the political régime.

The first thing to be said of the *elitist type* concerns its links with economic and social modernization. Two subtypes should be distinguished, according to the degree of modernization of the society. The first could be called *traditional elitist*. Here, the income concentration is due above all to the accumulation of ownership—primarily rural latifundia type of ownership of land or mines—in an economy where the primary sector remains in the productive apparatus and hence in the composition of the national product. The features of this subtype of income concentration are highly specific, since they are related to a little-diversified socio-economic structure and to forms of social domination which are severely hierarchized and dependent on the concentration of land-owning or mining wealth. This is a case of oligarchy, which has perhaps never existed in a pure form and which largely disappeared from the Latin American political scene some time ago.

The specific social situations in the countries of the region represent complex variants of declining oligarchic elements coexisting with more modern forms of economic production and social domination. This more mixed subtype could be called *modern elitist*. It is

characterized by a more heterogeneous and perhaps more complex relationship between the productive and social forces which exert pressure—invariably conflicting—on the distribution of income.

In either case, the income concentration at the top of the scale always depends on a certain element of coercion, either latent or open, which must be exercised forcefully and implacably. It is perhaps in the type of coercion that a clearer division can be established between the traditional and modern political forms of elitist concentration. But since such a distinction is of little practical importance for the purposes of this study, it may be considered that the above observations suffice to make our point, and a more thorough analysis of the question is therefore not justified.

Thus, any mention below of the elitist type refers primarily to the modern variant based on a certain level of technological modernization and diversification of production and on the existence of social formation made up of varied and not always homogeneous social forces with different levels of organization, which can join together in many possible ways; that is why the political régime becomes complex, dynamic and unstable.

Elitist concentration is a type of distribution which calls for more than the manipulation of political and ideological resources to control the shaping of public opinion and the political behaviour or the mass of the population. It also calls for the definition and promotion of development strategies which can channel the growth of money income produced by rapid growth of the economy and by "controlled" inflation whose effects can be exploited by the group controlling State policy, either

⁴² C. Furtado, *O mito do desenvolvimento econômico*, Paz e Terra, Rio de Janeiro, 1974, p. 88.

from within as technocrats, or from outside, in the domestic or foreign so-called private sector.

This is possible only if these groups are sufficiently important within the State and the more sensitive decision-making centres to be able to influence the complex machinery of fundamental economic and social relations (allocation of resources for investment and consumption, prices and wages policies, taxation and fiscal policy, social policy, organization and expression of the demands of the labour force, etc.) and the formation and orientation of social forces in such a way that they favour their own particular interests and political objectives. Hence the elitist type must necessarily be more authoritarian and frequently adopts forms of military domination.

Clearly, an "austerity policy" entailing price rises and the holding down of wages to contain inflation and stimulate productive growth cannot be carried out in just any social situation. Such a policy does not win elections and generally does not generate spontaneous consensus in support of the development style promoted. It often triggers off strong social reactions, and it clearly wins less consensus than a populist redistribution policy with large increases in the popular share of total income.

The elitist type of concentration, in this respect, tends to have a positive effect on the side of higher employment (public infrastructure works, housing plans, etc.), but at the same time it depresses the incomes of the dependent workers, lowering the real wages of the majority of workers and employees. Naturally, this is a very difficult strategy to carry out without a political régime which possesses the necessary authority to apply the coercion such policies require. Hence the importance of the military

factor among the social forces which promote and support the prevailing style.

A political régime compatible with this distribution policy must necessarily be more authoritarian and coercive and will probably often have to rely on open repression to contain the pressures of the social groups left on the sidelines of the economic process, whose aspirations and demands rise, at least potentially, with the process of modernization.

For many, there is a clear contradiction between two factors: on the one hand, there is the increasing modernization of social attitudes, which means that social groups and strata of considerable strategic and functional importance in the economic structure are more prone and better able to formulate demands and ask questions, especially as their aspirations for greater well-being are strongly stimulated by the demonstration effect and by international patterns of consumption, while on the other hand, the material benefits they receive under an elitist style of development are scanty.

It is not really the groups in the lower layers of the income pyramid who feel most deeply the effects of this contradiction. It is not they, by any means, who exert the greatest pressure, but rather the socially-mobile middle sectors who have acquired professional qualifications through the educational system and do not feel suitably rewarded by a development style which in one way or another concentrates the increases in income at the very top of the distribution. The existence of minorities which enjoy privileges under the situation and can take advantage of the State to appropriate the larger income generated by rapid economic growth outrages them, rousing them to a variety of political and social reactions.

In such circumstances, it seems difficult for the political régime corresponding to this style of elitist concentration to be legitimated and its public policy endorsed by a consensus of an electoral nature. It is equally difficult for it to tolerate the working of a political market-place in which the great national problems are openly discussed. Political pluralism and the public discussion of different options can hardly be reconciled with the predominant political style in a society containing severe contradictions and social tensions which the political régime must check or neutralize.

A survey of the Latin American scene shows that, where this type of concentration predominates, elections are either not held or else have no direct function or real influence in the appointment of the political leaders and the fixing of the political orientations of the State. Instead, the State comes to depend on a civilian-military technobureaucracy which becomes autonomous and neither answers for its decisions before political entities involving popular representation (parliaments, parties, etc.), nor feels the need to justify its actions electorally.

These are the conditions in which the more extreme versions of "developmentalism" may arise, where economic growth becomes an end in itself, while the distribution of its benefits to the majority of the population is postponed for a long time, even though the growth rates may be very high. The elitist styles of concentration are essentially developmentalist, or incrementalist if one prefers that term. The final justification of income concentration at the top is economic growth, and next to high growth rates of the product the other problems may be considered secondary or, in any case, may be

postponed until the corrective dynamism of the market and the system can deal with them.

The style of development which leads to concentration at the top, primarily at the expense of the centre, cannot take place without the blocking and destructuring of the social sectors capable of questioning it, because the social tensions it creates are very strong and must be contained if it is to function efficiently. The formation of political opposition must therefore be averted by disarticulating the labour force's capacity to exert pressure, controlling public opinion and ideological discussion, and checking the emergent social and political movements which might channel the demands of the broader social sectors.

In fact the elitist political régime consists of a coalition of minorities made up of little more than 5 per cent of the population, although with a varying degree of support from broader sectors. In general, it comprises the domestic and foreign industrial entrepreneurs, technocrats and professionals, and entrepreneurs in trade and services, in alliance with traditional property-owning sectors. What is really decisive in this type of political régime, however, is the military presence which holds it together and backs it up with the weight of its coercive power.

In sum, once a certain degree of productive development has been reached, elitist concentration is inseparable from a political régime which possesses great authority and exercises it to implement a development style whose various strategies are all aimed at a form of developmentalism designed to secure a very high rate of economic growth and technological modernization, on the basis of ever-increasing participation of

foreign capital and a high rate of private savings and productive investment.

The supposedly necessary condition to achieve these ends is a high concentration of income at the peak of the distribution. The sociopolitical requirements are a politically disarticulated and demobilized society, with a political class which has lost its functions, influence and power, and has been heavily discredited so that, at least temporarily, its capacity to promote the formation of a broadly-based political will has become almost negligible. A modernizing technobureaucracy occupies strategic positions within the State and partially replaces the political class in its decision-making functions, taking on responsibility for the implementation of development policies with the backing of the authority of the State and without the political supervision of parties and parliaments. The State's capacity to mould this style of development stems primarily from its coercive power and the rationalizing activities of the technobureaucracy. This capacity is strengthened by the inert presence of a demobilized and disorganized labour force, with large sectors of the population fighting to obtain work, thus bringing down salaries and undermining still further the workers' limited capacity to exert pressure and to negotiate in the face of the demands of the entrepreneurs and the coercion of the State.

These conditions—and others which in the interest of brevity we shall not mention—make possible the success of the policies designed to concentrate income and wealth at the very top, as may be seen in some Latin American countries. However, it is hard to judge the long-term continuity of this type of régime, because it depends on continuous growth and implies high social and political costs which increase as the

economy becomes more dynamic and society more modernized. In these circumstances, the political demands of the masses and of socially articulated groups may be hard to contain or check, especially if a situation of economic stagnation should arise. Any compromise solution would then call for adjustments in the allocation of incomes which could rapidly lead, for example, to a mesocratic kind of spread in the distribution pyramid.

The features of the mesocratic type of income concentration contrast considerably with those of the elitist type described above. While, as we have seen, in the latter the concentration of income in the richest five per cent of the population is very marked and mainly occurs at the expense of the strata in the centre of the distribution pyramid, in mesocratic concentration the greatest accumulation in the course of economic growth occurs instead in the upper middle group immediately below the top five per cent. In this case, the pattern is that while much of the growth of income produced by the expansion of production is concentrated in the upper middle groups, the relative position of the two extremes worsens, and there is a considerable decline in their share.

The two types of concentration represent very different modes of income distribution, particularly with regard to which groups are hurt or benefited, the economic characteristics of the growth and the social forces directing and promoting it.

The basic question here is to determine the conditions of occurrence of this type of concentration, which appears to be atypical with respect to the dynamics of classical capitalism. The historical data furnished by Kuznets⁴³

⁴³ See S. Kuznets, *op. cit.*, page 3 *et seq.*

clearly show that the normal situation in the early stages in the countries of original capitalist development was one of high elitist concentration, slowly and progressively (over two or more generations) passing to a more mesocratic structure of concentration. Why, then, do some Latin American countries which also appear to be at the take-off stage and are reaching the threshold established by Paujert nevertheless have a more elitist type of distribution profile?

Following the line of analysis adopted for elitist concentration, we shall now make a few remarks on the sociopolitical conditions for the emergence and continuity of mesocratic concentration, based on the descriptive material given above.

Mesocratic income concentration is characterized by a more open and pluralistic political régime. Effective political participation is greater, and both political succession and the continuity and legitimation of the government depend on popular elections, at which a variety of political options compete. Parliamentary discussion, negotiation and political compromise, where a political class with influence and prestige has great weight, are the essential machinery in the process of formulating the strategies to define and implement the prevailing style of development. In régimes of this kind a large technobureaucracy still exists, but its field of action is more limited and less autonomous, since it is under the control of a deliberative, pluralistic and consensual political régime and an autonomous and powerful political class. It would therefore be more proper to speak of a modernized bureaucracy rather than a techno-bureaucracy, because it lacks the latter's decisive autonomy.

Perhaps the most significant feature of the mesocratic power structure is the

weakening or disappearance of the traditional oligarchy or élite in which much of the wealth was concentrated through its ownership or latifundia, sources of unearned income or financial and speculative assets, and which weighed heavily in the concentration of income. In Mexico, the Maderista revolution destroyed this traditional land-owning class, while in Venezuela the crisis of the thirties and the oil boom greatly reduced its previous preeminence in the Venezuelan economy and State. What disappears along with this class is the great historical original concentration of wealth and income, which is a typical aspect of elitist concentration and which has enabled this traditional wealth-owning sector to maintain considerable weight, perhaps not so much in the economy, since its relative importance declines, but rather in the political sphere, where it controlled important sources of traditional and local power largely deriving from the ownership of rural property and territorial sway.

The alliance of social forces which formulates and promotes the mesocratic style from within the State has a broader coverage and is more diversified than the social basis of the elitist style. In the first place, it may be recalled that in it the margin for the play of politics is considerably wider. Secondly, the weight of the upper middle sectors is predominant because the mesocratic type is dominated by the political class, the bureaucracies, professional associations, employers' associations, top union management and, last but by no means least, the armed forces. All these sectors combine their interests in order to define the political style. Finally, perhaps the difference in the social composition of the dominant groups is not as important as the difference in the nature of their political dynamics and the role of the

State. In other words, the real difference lies in the more consensual and pluralistic nature of the mesocratic type, which goes hand in hand with a political régime which is more open to direct negotiation and to the interplay of interests of organized and mobilized groups which compete in the political arena on crucial income policy issues.

In general, the mesocratic type of concentration stems from a political society with higher levels of participation and a political dimension more open to the pressures of the various organized interest sectors, whose weight in decision-making may come to be considerable. However, there are structural limitations which, for one reason or another, restrict access to the channels and positions of social participation which are of importance for political decisions. Thus, for example, the great availability of unemployed, underemployed and badly employed labour slows the build-up of social forces and their claims, by introducing an element of instability in the jobs of the groups in the lower half of the income pyramid. This reduces their capacity to negotiate

wage increases and, consequently, their direct influence on incomes policies. While these factors mean that the economic and social position of these groups is weakened as regards their ability to exert pressure in the labour market, they nevertheless retain a great political potential which can be decisive in a representative régime depending on elections for political succession and legitimation. For this reason, and to gain their electoral support, at election time there tend to be indiscriminate wage increases and social security improvements, and an expansion of public investment policies designed to produce short-term effects on working class employment and incomes (such as public works, housing plans, etc.). These measures cause sharp short-run fluctuations in the profile of the distribution and in the relative position of the various income groups.⁴⁴ This is perhaps the main source of instability in the mesocratic distributive pyramid, which, because of the difference in the political base supporting it, becomes much more variable than the elitist-type pyramid, while its main trends are less easily perceptible in the short term.

5.

Some dynamic factors and their effects on income concentration

The attraction of a populist solution is a latent possibility in the mesocratic type, often exerted when the claims of the organized masses are strong and continuous. It may also be attractive in the elitist type when the political régime is centred around an ambitious personality capable of mobilizing the mass of the population. In either case, a populist solution encounters resistance because

the redistributive concessions rarely hurt the highest income sectors.

The necessary resources are obtained primarily from the middle and upper-middle sectors, whose standards of living

⁴⁴ Cf. CEPAL, *Economic development and income distribution in Argentina*, *op. cit.*, *passim*.

and aspirations —generally exorbitant— may be considerably affected. These social layers, mainly made up of executives, technocrats, professionals and middle-level entrepreneurs, have high levels of consumption and international life styles and receive high profits, salaries and rewards in the big enterprises of the private sector or in the modernized area of the public sector. Often, therefore, their incomes are more closely related to those of their opposite numbers in equivalent strata in the developed countries than to the degree of development and average income in their own country. This visible disparity makes them an easy target of redistributive policies of a populist stamp.

Hence the chronic instability of the populist régime, whose continuity depends largely on overcoming the strong resistance put up by the high income sectors, which possess considerable real power in the State and the economy and do not hesitate to use it to impose other political formulae which fully recognize their force within the leadership coalition and their right to enjoy their prerogatives.

According to the empirical findings of Kuznets and Paukert which we mentioned earlier, the countries of Latin America should now be passing rapidly to a predominantly mesocratic type of concentration, with a growing improvement in the position of the strata at the centre of the distributive scale at the expense of those at the top. The threshold fixed by Paukert for a more progressive distribution —a per capita income of about 500 dollars— has already been passed in some ten countries, as well as by the general average for the region in 1975. An examination of this proposition that progress in distribution depends on per capita income shows, however, that the trend is

neither as linear nor as inexorable as is claimed. There is no strict correlation between the level of income and coefficients of inequality, although there is a vague trend along those lines.

Not all the countries which have passed that threshold now show a more mesocratic type of concentration; in some, precisely the opposite has occurred. Nor can it be said that this kind of concentration, once achieved, is permanent or becomes increasingly more democratic in the distribution of income. On the contrary, frequently this progress towards forms involving less inequality has led to conditions of instability and a backlash entailing a return to more elitist forms of concentration. To consolidate a different type of concentration, the new dominant social forces must be restructured to a very high degree.

This raises an important point which concerns the foundations of this study. It can be put as follows: the productive structure does not condition the distribution of income as directly and mechanically as has sometimes been thought. As far as we are concerned, the two dimensions —production and distribution— are relatively autonomous and interrelated by means of a set of complex connexions in which political mediation plays an important role, particularly in the short term.

In fact, in the distribution and concentration of income the interrelationship between economics and politics is so close that the effects of each tend to be circular. Sudden inflation, or chronic inflation which grows suddenly worse, accompanied by a severe, prolonged economic recession, may well trigger off a severe political crisis leading to the replacement of the governing group by another which better represents the new combination of social

forces. In Latin America in recent years the adoption of shock policies has become widespread. These rapidly lead to a marked concentration of income at the very top, through a laissez-faire attitude to market forces and the implementation of sets of policies adopted by the government.

In other cases, the exchanges in the distribution may stem from an autonomous political change in which fresh or different social forces come to play a dominant role in the management of the State and in the orientation of government policies which affect income distribution. These readjustments are generally intrasystemic, since they do not transcend the original bases of the distribution of income, which are profoundly rooted in the productive structure and the social and political system. Only a social revolution can change these basic rules of the game. In the absence of such a revolution, the socio-economic system can admit, without changing its basic nature, a series of short-term swings and a certain variety of specific social forms which are historically conditioned. These specific social forms and the growth processes they create are what we have called elsewhere "development styles".⁴⁵

Before concluding, a few brief remarks seem to be called for on the difference between the political nature of the short-term and rather shallow swings in income distribution, and the more far-reaching and all-embracing changes which occur when the style of development changes along with the profile of the distribution. In the first

case the variations in income may well be an aspect of the political game, where the tactics which may be used are flexible and are designed to expand the coalition of social forces with a view to fighting an election, for example. Nothing fundamental is changed, and most probably the high-income groups will recover their positions after the election period is over.

It is a completely different matter when the changes in the profile of the distribution stem from structural transformations and new correlations of social forces, and when emergent groups and sectors possess more real power in the civil society and the State apparatus, usually as a result of social and economic modernization. Although these conditions are by no means determinants, the possibilities of change which they offer tend to give rise to political transformations of a permanent nature, effected in order to overcome certain features of the past, these thus become relatively stable solutions in comparison with other political options.

Either of these alternatives represents a variant in the development style, whose direction and main content will define the kind of resource allocation policies as well as the income distribution policies which will prevail. Conversely, the nature of the development style may be identified by the character of these policies. Hence, the viability of a style of development will always depend on the structuring of a political régime which is compatible with it and can ensure its continuity. In other words, the development style rests upon a political will which has the necessary capacity to promote and uphold it; and this calls for a balance between consensus and coercion. The structural tensions at the bottom of this ever-fluctuating balance

⁴⁵ Jorge Graciarena, "Power and development styles", *CEPAL Review*, First half of 1976.

account for a large part of the dynamic correlations between types of income concentration, political régimes and development styles in Latin America.

6.

By way of a brief conclusion

It appears, then, that in general the democratization of income distribution depends on the democratization of society. This appears tautological, and to some extent it is. In addition, there appears to be a high degree of association between power and income. In other words, and to be more specific, the requisites for achieving and consolidating a mesocratic type of income concentration are the broadening of the political game, with more actors and participants, and a specialized political organization led by a political class and guided by a more open and pluralistic ideological market, in which the political régime and the fact of domination are

legitimated primarily through popular consensus. When these political conditions obtain, it is inevitable that income distribution will become more progressive. It could hardly be otherwise, because the acquisition of income is one of the principal targets of the political struggle. The other alternative is social demobilization and the technocratization of politics, with a considerable increase in the amount of coercion and repression needed to ensure the continuity of the prevailing hegemonic régime. Naturally, this has repercussions on income concentration, increasing the inequality of its distribution.