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“Inequality in Republican Latin America: Assessing the Effects of Factor Endowment and Trade”

Abstract

Using a new dataset, this paper presents new evidence on inequality in Latin America for the 19th century and studies the effects of factor endowments and trade on inequality. Recent research has highlighted the link between the colonial origins of inequality and its persistence in Latin America. We find that inequality varied substantially throughout the century and across the region. We identify and quantify the impact of changing factor endowments and trade on inequality using a theoretical model of intertemporal inequality transmission based on asset ownership in an open economy subject to shocks. The results indicate that inequality in the Southern Cone rose during the era of globalization while it decreased in Mexico and Venezuela. The rise in inequality in Argentina and Uruguay is explained by the impact of favorable terms of trade and international migration; however, the effect was dampened by significant land annexation. On the other hand, the decline in Mexican and Venezuelan inequality is related to decreasing terms of trade amplified by the expansion of available arable land.

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