

The Role of Economic Inequality and Capital Concentration in the Rise of the Radical Party

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From 1895 to 1914, Argentina experienced two decades of high economic growth, on the magnitude of 6% annual increase in gross national product (Rock 1986). While this indicates the growing prosperity of Argentines, it does not provide insight into how these gains in income were distributed among the population. Capital concentration is characteristic of the entire nineteenth century, and its growth accelerated globally between 1880 and 1913 (Piketty 2014). Argentina was no exception: capital concentration in Argentina between 1890 and 1914 led to a growing disparity between the ruling oligarchy and the well-educated, patrician sons-of-immigrants class. Economic inequality became more politically unstable primarily as a result of foreign ownership of Argentina's capital in the economically and politically important export and export-dependent industries. In Argentina, this concentrated and increasingly foreign ownership of capital proved politically destabilizing and helped create the environment necessary for the success of the Radical Party.

Argentine industry grew 9 percent per annum between 1890 and 1914 (Rocchi 2006). As the gains from the booming export industry were going into fewer and often foreign hands, capital concentration became a more significant economic issue and led to political instability as trusts became ubiquitous – and increasingly despised – in Argentine industry. Even President Sáenz Peña warned his citizens of the threat that trusts posed to the country's economy (Halperín 1986).

Not only was there a trend towards increasing capital concentration, but most of

this capital was foreign-owned; by 1914, half the capital stock was foreign-owned, with the combined share of Britain and the United States amounting to more than 80% of Argentina's railroad and meatpacking industries (Rock 1986). By the end of the 1920s, an estimated ten percent of Argentina's national income, excluding income from labor, was sent abroad as remittances (Bergquist 1988, 122). Foreign capital was essential to the export industry, and it controlled most of the transportation infrastructure on which the export industry was dependent.

However, capital concentration was itself a problem, whether foreign or local. Even the local ownership of capital, primarily in the form of land, was extremely concentrated. In 1895, 1.5% of companies employed 30% of the labor force (Rocchi 2006). Land ownership was also trending towards higher concentration in this period:

...large portions of the productive land were concentrated in the hands of a relatively small number of Argentine families during the 19th and 20th centuries... in the case of Buenos Aires...nearly one third of the land belonged, by 1928, to little more than one thousand families” (Bergquist 1988, 121) (translation mine).

The growth of a new, educated middle class from the 1890s to pre-WWI laid the foundation for resistance to the increasing monopolization of Argentine industry that was mainly serving the local elite or foreign capitalists. This new middle class was fertile ground for Yrigoyen's political rise. He capitalized on the frustration of the middle and landed classes by creating a “number of rambling manifestos, which cloaked the party's slogans in a veneer of moralistic rhetoric” (Rock 1975, 54). This vague vilification of the oligarchy served to create a class alliance to save the “old Argentina,” which many

people thought was dying (Rocchi 2006, 113). While Yrigoyen's vague rhetoric was vital to the Radical Party's success, it is the middle and landed classes' growing frustration with economic inequality that gave his words such power. As Horowitz explains, Yrigoyen was "able to stand with the people against – in many cases – foreign-owned business" (Horowitz 2008, 115). Instead of a party of workers, the Radical Party started as a party of the educated urban middle class seeking to use the political and legal institutions to gain wealth and prestige that had been taken by mostly foreign capitalists (Rock 1975).

Considering Argentina's high level of capital concentration, particularly foreign capital, it is little surprise that Yrigoyen's "rambling manifestos" were so effective in mobilizing the people against the ruling oligarchy. The middle class and landed class that had both gained from the success of the export industry were not looking for a radical change in the social system but rather a "minimal form of redistribution" to the middle class (Rock 1975, 58). This is what Yrigoyen provided. The Radical Party, from its success in 1916, remained mostly a party of concessions to benefit the wealthy at the expense of the ultrawealthy.

As an alliance between the middle class and landed class, the Radical Party's goal was to take some wealth and power from the oligarchs and (minimally) distribute it to the middle class without taking from the wealthy landed class. Capital concentration and foreign ownership of capital were essential factors in the successful formation of this class alliance through their creation of a common enemy – the oligarchy. It is clear, then, that the Radical Party could not have been successful, and indeed would probably never have been formed, if not for the growth in power of the ruling oligarchy.

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