

## Regional value added in Uruguay during the First Globalization (1872-1908): decreasing inequality and convergence

### *Producto regional en Uruguay durante la Primera Globalización (1872-1908): desigualdad decreciente y convergencia entre regiones*

Pablo Castro Scavone\* 

*Instituto de Economía, Universidad de la República (Uruguay)*

Henry Willebald 

*Instituto de Economía, Universidad de la República (Uruguay)*

#### ANALYTICAL SUMMARY

We present estimates of regional value added in Uruguay during the First Globalization (from the 1870s to the years prior to the World War I) considering 19 provinces (Artigas, Canelones, Cerro Largo, Colonia, Durazno, Flores, Florida, Lavalleja, Maldonado, Montevideo, Paysandú, Río Negro, Rivera, Rocha, Salto, San José, Soriano, Tacuarembó, Treinta y Tres), six time-benchmarks (1872, 1884, 1890, 1895, 1900 and 1908), and 12 economic sectors (agriculture, manufacturing, construction, utilities, transport, communications, government, mining, financial intermediation, wholesale and retail trade, real estate activities, other services). Our methodology of estimation follows an indirect approach (top-down) where regional output is derived distributing the national income according to a particular rule or norm (livestock and crops; wages of civil servants, km of railways, trading license taxes, etc.). Empirically, we describe the specialization and diversification of production with indicators usually proposed in studies of the New Economic Geography (location quotients, Krugman specialization indexes), we estimate the level of the regional GDP (total and per capita), calculate inequality indicators and make regional convergence analysis. Our results show a decreasing and irregular trend in the regional inequality which is consistent with a process of income convergence between provinces. The irregularity of the trajectory would be evidence of the performance of centrifugal and centripetal forces that alternated influences during the period. The forces that tended to decentralize production were the combination of abundant natural resources suitable for livestock production throughout the territory and the reduction of transport costs that made easy access to Montevideo possible, as well as, through its port, to the global market. Centripetal forces would have responded to a process characterized by the increasing importance of Montevideo as an urban and administrative center, a huge market for goods and services and a dynamic centre of labour market. In addition, in Montevideo, commercial and financial activities (and their potential for making industrial development more flexible) were increasingly important, interrupted only by the economic and financial crisis of 1890-1891. In fact, the crisis constituted one of the main equalizing forces of the period. The result was that at the beginning of the 20<sup>th</sup> century levels of regional inequality were lower than those recorded in the 1870s. Our study is the first one to offer regional GDP estimates for Uruguay in the 19<sup>th</sup> century and discuss the evolution of regional inequality and economic convergence for the period.

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\* Corresponding author. Email: [pablo.castro@iecon.ccee.edu.uy](mailto:pablo.castro@iecon.ccee.edu.uy) (Pablo Castro Scavone).