

**New estimates on the standard of living of
working class families of the city of Buenos Aires,
1933-1945**

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Resumen

La literatura que estudia los orígenes del peronismo concuerda en que el deteriorado estándar de vida de la clase trabajadora durante la década del treinta y hasta 1945 fue una de las razones que explican su surgimiento. Esta ponencia contribuye a la comprensión de ese período, partiendo de la noción de que los trabajadores y sus familias se encontraban bajo condiciones de vida precarias. Por ello, mi objetivo es re-evaluar cuán deteriorado se encontraba el estándar de vida de la clase obrera, medido en términos de poder adquisitivo del salario.

Se han revisado las estimaciones oficiales del Departamento Nacional de Trabajo del índice de costo de vida. Esta revisión muestra que dicho índice se encuentra sesgado a un determinado segmento de la población (el más pobre) y contiene problemas metodológicos. Por ello, dada la disponibilidad de datos se generarán nuevas estimaciones del índice de costo de la vida para el período comprendido entre 1933 y 1945. A continuación, se utilizarán las nuevas estimaciones para analizar la evolución de los salarios reales para el mismo lapso temporal y se verán las diferencias con las estimaciones utilizadas por la literatura existente. Los resultados finales muestran que el estándar de vida de los trabajadores calculados con el nuevo índice del costo de la vida es menor que el considerado usualmente.

A pesar de su carácter histórico, las conclusiones de este trabajo se vinculan estrechamente con la situación actual de las estadísticas públicas argentinas, ya que la intervención política del Instituto Nacional de Estadísticas y Censos no sólo ha alterado sistemáticamente los indicadores sociales y económicos, sino que ha dilapidado la confianza en el aparato estadístico nacional.

Abstract

The existing literature believes that the deteriorated situation of the Argentine working class between 1930 and 1945 was one of the reasons behind the origins of the Peronist movement. This paper contributes to the understanding of that period, considering as a given that the workers and their families lived in deteriorated conditions. Thus, the aim of this article is to reconsider how deteriorated was the standard of living of the working class, measured by the purchasing power of their wage.

For this purpose, the official estimates of the National Labour Department of the cost of living index were revised. This revision shows that the index is biased towards a specific sector of the population, the poorest. Also the estimate has several methodological problems. Thus, given the availability of data, new estimates of the cost of living index are generated for the period 1933-1945. These new estimates are used to **analyze** the evolution of real wages throughout that same period and to assess the differences with the real wage series used by the existing literature. The final results show that the standard of living of the working class estimated using the new cost of living index is lower than the one generally considered.

Despite its historic character, the findings of this study are closely linked to the current situation of Argentine public statistics, where the political intervention of the National Institute of Statistics and Censuses has not only systematically altered social and economic indicators, but has diminished the trust in the national statistical system.

Introduction¹

The existing literature believes—and does not question—that the deteriorated situation of the Argentine working class between 1930 and 1945 was one of the reasons behind the origins of Peronism. This paper contributes to the understanding of that period, taking as a given that the workers and their families lived in deteriorated conditions. Nevertheless, it will show that those living conditions were more deteriorated than the literature considered. On the one hand, this paper revises the estimates of the cost of living index (CLI) comparing it to other estimates of the same indicator, which have been elaborated for this purpose. On the other, it uses these new estimates to assess the evolution of real wages. Regarding the latter, instead of using the official CLI to deflate wages, this paper shows several estimates of the real wage, given different estimates of the cost of living.

Due to the importance given to the economic situation of the working class in the origins of the Peronist Movement, setting the record straight regarding the living conditions of workers is a contribution to the debate. What makes this challenge even more relevant is that the official and disaggregated data used here has never been considered before. That is, this paper uses a set of information published by the same organisation that estimates the CLI, but generates new indices with official data that has not been considered by previous scholars.

Despite the historical content of this piece, the implications of this paper are relevant for the current situation of Argentine statistics. Since the beginning of 2007, the political intervention of the National Institute of Statistics and Censuses (Instituto Nacional de Estadísticas y Censos, INDEC) and the manipulation of databases used for the construction of statistical series for economic and social analysis have damaged the reliability of official information. The alteration of data has been of particular significance in the case of the consumer price index. As it will be showed here, elaborating a price index has implications in other indicators that help understand particular events. Developing the wrong indicator conditions the knowledge we can acquire of different phenomena, probably inducing to its misapprehension.

The paper is structured as follows. The first section briefly describes the concept of standard of living. It also reviews Argentina's economic situation after the Great Depression. The second section evaluates the characteristics of the CLI developed in this period, showing briefly the pitfalls on the methodology used in its estimation. Section three analyses the trends in the general CLI and its main aggregations as an introduction for the following section where new estimations are carried out. Section five analyses different estimates of the real wage. The last section states the conclusions.

1. Argentina after the Great Depression and before Perón

As Easterlin states, there has been a progressive broadening of the concept of living standards. During the post-World War II period, the idea of well-being was widely conceived in

¹ Una versión de este trabajo fue presentada en el III Congreso Latinoamericano de Historia Económica/XXIII Jornadas de Historia Económica, Bariloche 23 al 27 de octubre de 2012.

material terms, which meant analyzing the goods and services at an individual's disposal (Easterlin, 2000: 7-8). Since rather recently the idea has evolved. The shift started when the 'welfare value of economic growth began to be queried' (Offer, 2000: 4). With Sen's ideas on human development, there was also a shift towards considering non-materialistic aspects of well-being, which included education and health as well as freedom and justice (Sen, 1987). This shift aimed at assessing the quality of living standards and not only the value of consumption, generally measured by the amount of income. This meant that a positive relationship between growth and well-being was not necessarily assumed.

Such a conceptual debate also requires a discussion at the empirical level. Since there is not a full reached consensus as to what accounts for the standard of living, there is not an agreement as for how to measure it. The different opinions debate around which measure, if any at all, deserves prominence or which is the best way to aggregate the indicators in order to construct one summary number. Major difficulties arise in evaluating material and non-material components of well-being (Engerman, 1997: 18). Therefore, Engerman recommends that one should accept the value of a certain indicator keeping in mind 'the complexity of the multiple factors that makes these examinations so difficult and generalisations so uncertain' (Ibid., 39). Notwithstanding this debate, given data availability, in this paper the indicator used as a measure of living standards will be the real wage.

The year 1930 was a turning point in Argentine history (Rock, 1993: 173). The closure of the world markets after the Great Depression was an important factor behind the intensification of industrialization. Fostering import substitution industrialization was the rational alternative (Peralta Ramos, 2007: 54), seen at the beginning as a necessity as well as temporary strategy. Market regulation and Keynesian type policies were especially implemented after mid-1933. Regulatory commissions were formed to control the distribution and the price of agricultural goods. The exchange rate started to be actively controlled. Programmes of public works were set in place. These policies helped in the rapid recovery of the economy. Politically, that year denoted not only the beginning of a period of instability but also the start of an era of military coups and restricted elections, which lasted until Juan Domingo Perón was elected in 1946.

Parallel to those economic and political shifts, there were also important social changes, mainly related to the declining population growth. Import substitution industrialization created a demand for workers in the urban areas, especially to the province of Buenos Aires and Capital Federal, Argentina's federal district. Simultaneously, the State became more active in regulating the relationship between workers and employers. When Perón had himself appointed as the head of the Labour Department (Departamento Nacional de Trabajo, DNT) in October of 1943 substantial changes started to occur in the labour sphere. Before Perón, the DNT oversaw labour relations only in Buenos Aires province and had no authority to negotiate or to enforce contracts or labour laws. A month after Perón's appointment, the DNT was transformed into the Labour Secretariat (Secretaría de Trabajo y Previsión Social), with national scope and increased authority. This brought Perón into the cabinet, and from there he sought to stimulate labour organization and promote the interests of the working class. These changes consolidated the State as a major player in the collective bargaining process.

Much of the debate that involves the period 1933-1945 relates to the origins of Peronism, a phenomenon that started in 1943 and still affects the Argentine today (Feinmann, 2010). Several authors debate about the motives, reasons and factors behind the origins of the Peronist Movement. Just to name a few of the classic ones: Germani (1962; 1973), Kenworthy (1975), Matsushita (1983), Murmis and Portantiero (1971), Peralta Ramos (2007), Smith (1972). There is consensus in the literature that prior to 1930, the working class lived quite well. Their living conditions were comparable to their counterparts in Europe. With the spread of industrialization, in skilled activities as well as in the public sector, Horowitz (1990) stated that workers earned high wages and had good living conditions. Nevertheless, the vast majority earned low salaries (DNT, 1937). Given Horowitz estimates, 34.1% of male industrial workers earned less than m\$n100 a month and 74.3% earned less than m\$n150 (Horowitz, 1990: 32).² According to the DNT (1937) it was complicated for a family to live on m\$n120 to m\$n145 a month, which implied that three fourths of the workers lived under a very tight monetary situation (Horowitz, 1990: 33). Official reports of the period also emphasised the shortage of inexpensive, decent housing, and on the little margin workers had for other expenses rather than food and rent (DNT, 1937), as it will be shown. Moreover, workers had no pension plans, paid vacations or sick leave.

In general, emphasis in the existing literature was stressed on the workers' miserable economic situation, but there is never a deep analysis of it. The key indicator they look at was real wages, though they never questioned the data used to estimate it. Addressing these caveats is the contribution of this paper. The following sections deals with these matters in order to contribute to the debate regarding the origins of the Peronist Movement in Argentina, shedding light onto the living conditions.

2. A bit on the sources and methodology: 1933 family budget survey³

Throughout the 1930s and until the mid-1940s, official publications (DNT, 1935; 1937, Dirección de Estadística Social, 1946) aimed at finding out and measuring the economic needs of the working class. The public organisations that released them considered that to fulfil that goal they had to obtain knowledge of the cost of living. This objective was based on the belief that these types of studies were the starting point in the design of social policy (DNT, 1935). The studies on the consumption preferences of the working class were complemented with the gathering of information on wages, since another important objective was to compile data on the workers' purchasing power. The organizations considered that such knowledge could be achieved by elaborating a CLI that could be compared to the workers' wage. The main premise behind these surveys was that an average budget is the most eloquent proof of the standard of living (Dirección de Estadística Social, 1946), and that such knowledge and the way to deal with it would contribute to maintain social justice (DNT, 1935: 3). This section analyses the theoretical budget that emerged from the 1933 family budget survey in order to show its pitfalls.

² m\$n refers to the currency at that time, called pesos moneda nacional.

³ This section follows Lanata Briones (2012).

The estimation of the CLI requires two irreplaceable pieces of information (Figuerola, 1935; 1942). On the one hand, retail prices of the goods and services the average family consumes, which vary frequently. On the other, a family budget structure. Regarding the gathering of price data, given the recommendations of the first National Conference of Statistics, held in the Argentine city of Córdoba in 1925, the DNT had been gathering monthly information on a set of goods and services. More specifically, prices were gathered every five days in different types of markets and stores of workers' neighbourhoods. The monthly price was an average of all the prices registered for a certain good or service in one month (Figuerola, 1942: 342).

In October 1933 the DNT carried out its first survey on family budgets of the city of Buenos Aires in order to find out workers' real needs as well as to set up the basis for the construction of a CLI. The survey was distributed amongst 6,000 families of manual workers and commercial employees. Compared to the ones that followed, the 1933 survey was the broadest and most ambitious study of all.⁴ The survey was performed during one month. This introduced a representative and a seasonal issue, acknowledged by those who carried out the study (Figuerola, 1942: 274), which impacted on the result. Unfortunately, those impacts could not be measured nor identified accurately and the data has to be used despite them.

Throughout October 1933, families were asked to record the daily amount of money spent on different goods and services. When returned to the DNT, the reports were grouped by monthly income and by family structure. The categorisation of the budgets followed what will be named monetary and demographic conditions. Thus, given the monetary condition, only budgets whose head of household earned between m\$n 115 and m\$n 550 were selected. Then, they were categorised in ten income categories, five corresponding to workers (m\$n 120, m\$n 140, m\$n 175, m\$n 200, m\$n 230), and five corresponding to employees (m\$n 250, m\$n 300, m\$n 350, m\$n 400, m\$n 500). It is worth mentioning that these ten wage categories do not refer to income deciles. Each income category was further broken down according to family structure. That is, following the demographic condition budgets were also divided according to if they were formed solely by a couple, or by the couple with 1, 2, 3, 4, 5 or 6 children.

As a result of this categorisation, the DNT obtained the average amount of money spent by each type of family in the different items. All budgets had four main components: food, housing, rent and general expenses. Using the official price list, the DNT then estimated the physical quantities consumed. These values and quantities became the basis for the family budgets published in the 1935 report, which put together all the information gathered in the 1933 survey.

Thus, a first problem can be identified with the data. The quantities consumed were not directly measured given that the original piece of data gathered and published corresponded to the value spent on each good or services by each family. Consequently, the quantities set up as the basis to estimate the theoretical budget and thus the CLI were not necessarily the real quantities consumed by each family since the latter were estimated using prices which might or might not correspond to the actual prices paid. This is acknowledged by Figuerola (1942) but not given much importance.

⁴ The 1935 and 1943 surveys focused on a narrower income span and only surveyed workers.

In order to estimate a CLI, a budget has to be used as reference. That budget was then traced in time using monthly data and it should represent the average earnings and average family structure. The DNT named that budget as theoretical budget. The 1933 survey established a theoretical budget which corresponded to a family with three children under the age of 14 whose head of household earned and spent m\$n120 per month. This theoretical budget was the basis for the CLI that started being published in the 1930s.

When analysing in detail how the 1933 theoretical budget was estimated, one can see that it was estimated on the basis of only four family budgets. Nevertheless, this was not due to data availability. There were ten family budgets surveyed that comply with the demographical and monetary characteristics of the theoretical budget. The choice of these four budgets over the ten available ones was mentioned in the official report. It was justified on the premise that expenditure and income balances out in them, while in the other six, expenditure outbalanced income (DNT, 1935: 23). Even though this sounds as a reasonable explanation, this meant that the CLI was based solely on what four families consumed over one month and whose consumption is assumed as representative of the working class. There was an issue with the length of the time span in which the survey was carried out, as mentioned earlier, which casts doubts on the reliability of the data. Thus, one could state that a theoretical budget that gathered information from a larger number of families could help counterbalance that fault, even if some of the budgets considered spent more than they earned. This will be done later on.

Another striking issue that comes from analysing the 1933 theoretical budget is that the average of the four budgets used as the basis of the theoretical budget did not correspond to the value used to estimate the quantities of the theoretical budget. This issue was not addressed in the 1935 official publication, but it was commented upon by Figuerola much later on. He attributed the differences to the fact that adjustments had to be made in order to introduce a clothing component to the theoretical budget which was not surveyed at all (Figuerola, 1942: 318-9). The exclusion of the clothing component from the survey was justified on the fact that the survey was carried out throughout one month and that this type of expenditure is not generated every month, it might in fact be seasonal (Figuerola, 1942: 327). Moreover, how the adjustments in each of the goods and services were made in order to round up to a value spent on clothing to m\$n 6.36 was not explained, neither was it analysed why that specific amount was chosen. Some goods and services that were part of the average of the four budgets were completely omitted in the theoretical budget which helped round up the to the value of the clothing component. Such was the case of chicken, beer, eating out, schooling related expenditures, medicines. The exclusion of these items can relate to the fact that their prices were harder to gather or to their very low value in the budgets.

One can further speculate that the lag between the official publication, where this issue was not mentioned, and Figuerola's assessment of the matter in 1942 might have been intentional. Not assessing the issue in due course might have been linked to the fact that there was no justification for these actions. By 1942, the CLI was well established as well as credible, and its methodology was not questioned, so it was likely that no one would pick up on this issues.

To sum up, Argentine public organisations during the 1930s and the mid-1940s elaborated a CLI to foster the analysis of the standard of living mainly of workers. They considered they were successful at this (DNT, 1935: 4). The characteristics and particularities of this general CLI were never discussed by the authors that used it, especially those that assessed the living conditions of the working class before the rise of Perón. But a thorough analysis of the theoretical budget estimated with the 1933 survey data raised up several questions, especially since that survey is the basis of the CLI used for a substantial period. The theoretical budget was estimated as a result of a one month survey carried out in October 1933. The survey was very extensive in terms of the income ranges and demographic characteristics of families surveyed. Despite all the information available, the theoretical budget solely considered the preferences of four families with three children under the age of 14 of the lowest wage category of the city of Buenos Aires, which in that month carried out expenditures that equalled their income.

There was no information about the techniques used to select the families who answered the survey, nor how the narrowing down of the sample was made. The quantities of the goods and services of the theoretical budget were not directly measured. What was measured were the values of the goods and services consumed, and quantities were obtained later on. Moreover, how the DE of the DNT arrived at the definite quantities that formed the theoretical budget was not completely specified: issues regarding how the clothing component was estimated, for example, were never addressed. Consequently, a CLI with specific problems became the basis of many authors' analysis without them recognising it. Up until now, no studies have been done with all the budgets the 1935 DNT publication gathers. This task will be performed in the following section.

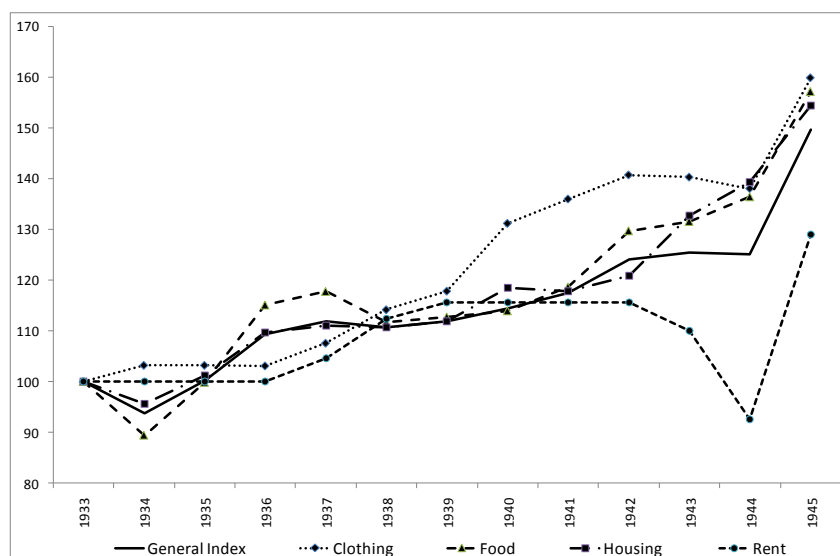
3. The general cost of living index, its main components and the 1933 theoretical budget

Before carrying out new estimations with the 1933 survey data, it is worth looking at the official series of the CLI. As stated, the CLI that started to be published in the mid-1930s was based on the 1933 survey and thus on the 1933 theoretical budget. This means that it reflected the consumption of the poorest segment of workers of the city of Buenos Aires, embodied in a family with three children under the age of 14. It was not representative of the whole country or of the Argentine society at large. It was based on just four family budgets. The cost of living can be analyzed just looking at the general index as well as by considering its main components: food (*alimentación*)—which included pan, potatoes, meat, fruits, vegetables, legumes, eggs, pasta, fish, oil, canned foods, cheese, flour, yerba, sugar, rice, coffee, milk, wine, soda water and cigarettes—, housing (*menaje de corta duración*)—comprised by coal, kerosene and soap—, accommodation (*alojamiento*)—that only included rent and thus it will be called rent here—, and clothing (*indumentaria*)—which was just a value estimated as commented above.⁵ Graph 1 shows the evolution general CLI and its components.

⁵ There is also a general expenses (*gastos generales*) component, which included transport, newspapers and hairdressing service. This component is excluded in Graph 1 due to its stability between 1933 and 1942.

Graph 1: Cost of Living Index: general and components, 1933-1945

Base 1933=100



Sources: ILO (several years), DNT (1937), Dirección Nacional de Estadísticas y Censos (1968), and Secretaría Técnica (1947)

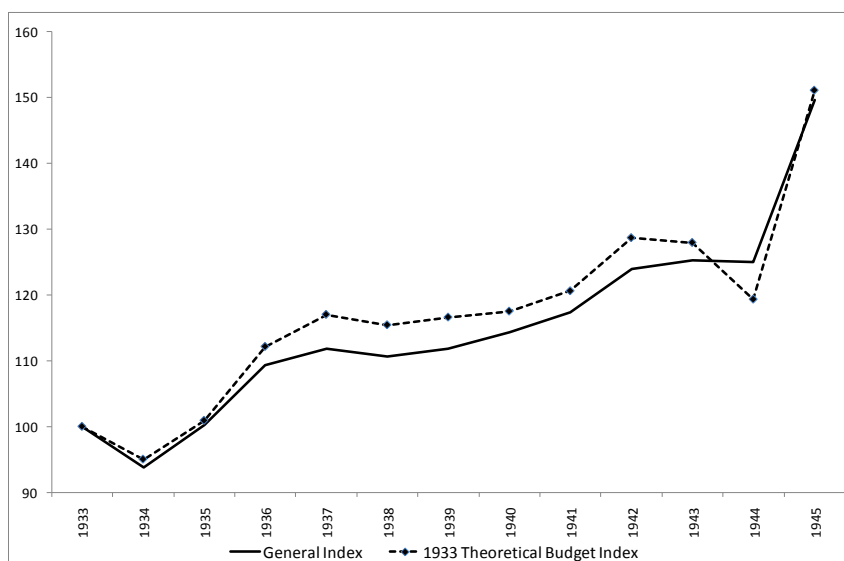
Graph 1 shows that between 1933 and 1945 the general price level in the city of Buenos Aires increased around 50%. The series showed an increasing trend throughout the whole period. The rent component was rather stable for some years. It showed an important decrease between 1943 and 1944 due to a decree passed by the military government in July 1943 that froze rent variations. In those years rent decreased close to 20%. Nevertheless, in 1945 it grew almost 40%. Given the government's inclination to control rent prices, it was the component that increased less when comparing 1933 and 1945. The rest of the components—clothing, food and housing—showed trends rather similar to the general price level. Sometimes the modules moved closer together to the general CLI while during other years the gaps widen. The food component showed an important increase during some years of the Second World War, due to the increase in the prices of basic goods. The component that grew apart the most from the general CLI was clothing, increasing between 1933 and 1945 around 60%. Food and housing moved quite closely to the general level until 1941, when they started to diverge from it.

The general CLI was based on the theoretical budget. So if one were to elaborate two different indicators, one using the general CLI budget data and the other using the theoretical budget information, both indicators should present rather identical trajectories. Given that there is only price data of certain goods and services available for this period, the elaboration and analysis of the two indices, the general CLI and the theoretical budget index (TBI), aim to show the differences amongst them to then compare the TBI to the new estimates, as the TBI will be strictly comparable with those other budgets in terms of components. The estimate of the TBI considered here excludes the modules listed as clothing and general expenses—given the lack of price data. Consequently they do not merge the exact same items considered in the

general CLI elaborated by the DNT.⁶ In the general CLI, the food component represented 57.5% of the total budget, rent was 25%, and housing was 4%. Considering the three main components, as the TBI here elaborated, implies analysing 86.5% of the general CLI. As mentioned earlier, the poorest families had practically no income to spend on other goods and services apart from rent and food items, which can be seen in this high percentage. The following graph depicts the trends of the general CLI and the TBI.

Graph 2: General and Theoretical Cost of Living Indices, 1933-1945

Base 1933=100



Sources: My calculations based on DNT (1935; 1937), Dirección de Estadística Social (1947), and Secretaría Técnica (1947)

Graph 2 shows that the general CLI and the TBI moved in the same direction throughout the whole period. They moved quite closely until 1936 when the general CLI started to show even lower values. This was given the larger increases in the food component, which had a higher weight in the TBI, where food represented 61.5% of the budget while rent accounted for 33% and housing for the remaining 5.5%. The narrowing down of the gap that started in 1937-8 related to the rise in prices of the clothing module. The 1944 drop related to the major decrease in rent prices. Since that item had a bigger share on the TBI, the fall was bigger relative to the general CLI. During the last three years of the period, the gap narrowed down once again. The growth in the missing components of the TBI helped to close the gap, even though these two components' incidence in total spending was rather low. The clothing module increased. The general expenses component, after a decade of stability, increased in

⁶ Even though the general CLI considers the price evolution of the apparel and general expenditure components, there is no disaggregated price data on this. Only the main component indices are published.

1944 and 1945. The rise between the 1933 and 1945 was very similar the same for the two indices: 49.6% for the general CLI, and 51.1% for the TBI.

4. Different baskets, different trends?

Given that a thorough analysis of the TBI showed that it had problematic characteristics and due to the availability of data in the 1935 DNT publication, this paper uses that wider set to generate new estimates and compare them to the TBI.

In order for our estimates to be compatible with the TBI, the budgets considered will be that of families with three children, meeting the demographic condition. Looking at the whole data sample and not only at the lower end of the income scale, one can see that this family structure gathered 49 families, distributed per wage category as follows in Chart 1.

Chart 1: Distribution per wage category of the cases surveyed. Families with 3 children

	Workers					Employees				
	m\$ ⁿ 120	m\$ ⁿ 140	m\$ ⁿ 175	m\$ ⁿ 200	m\$ ⁿ 230	m\$ ⁿ 250	m\$ ⁿ 300	m\$ ⁿ 350	m\$ ⁿ 400	m\$ ⁿ 500
Number of Families	10	10	10	2	3	3	2	2	2	5

Source: DNT (1935)

Cases were unevenly distributed among the wage categories. This might be related with an inadequate selection process of the sample or with the fact that on average most families had lower wages. The publication clearly highlighted the latter. Nevertheless, given that the highest wage category had such a big number of budgets, the publication's assertion might be put in question and the idea of an inadequate selection process might gain strength.

Regarding the budget components of the different estimates, in the case of the theoretical one as well as on the ones estimated here, the majority of the items were considered. The reason behind the exclusion of items was the lack of price data throughout the whole period to update the budgets. Three main components were analysed. The food component considered 18 goods—bread, potatoes, beef, legumes, eggs, pasta, fish, oil, canned foods, cheese, flour, yerba, sugar, rice, coffee, milk, wine, and soda water. As for housing, it considered three items: coal, kerosene and soap. The last component considered was accommodation, which solely contemplated rent. As mentioned, the theoretical as well as the rest of the budgets estimated here are fully comparable in terms of items considered. These items represent 86.5% of the general CLI.

Thus, with this data one can evaluate how the cost of acquiring different budgets changed over time. The procedure is simple. Given the quantities published for each budget, the baskets were updated using the prices published in the official publications. The following chart shows the evolution in m\$ⁿ (pesos moneda nacional) of the cost of budgets corresponding to workers' families, the average cost of those five budgets, the budgets

corresponding to employees' families with their average cost, the average of the ten budgets, and the 1933 theoretical budget.⁷

Chart 2: The evolution in the cost of budgets of families with three children, 1933-1945

In m\$n

	m\$n 120	m\$n 200	m\$n 230	Average Workers	m\$n 250	m\$n 300	m\$n 350	Average Employees	Average All Budgets	Theoretical Budget
1933	115.2	165.9	129.7	133.7	174.7	202.5	200.7	191.8	162.7	87.0
1934	108.6	155.7	121.7	126.3	172.4	201.1	201.8	191.1	158.7	82.7
1935	116.9	169.0	133.0	136.4	181.9	211.6	211.2	200.8	168.6	87.8
1936	127.8	187.2	148.0	150.2	193.4	224.6	220.6	211.5	180.8	97.6
1937	132.3	195.4	152.5	155.9	201.1	233.9	228.5	219.5	187.7	101.9
1938	131.2	187.4	148.9	152.9	203.7	236.6	234.9	224.1	188.5	100.5
1939	132.2	188.6	151.4	154.0	206.3	238.9	238.4	227.0	190.5	101.5
1940	133.2	188.4	151.1	154.4	206.9	238.9	239.8	227.4	190.9	102.3
1941	137.7	193.5	154.9	158.7	210.4	242.8	243.5	230.9	194.8	105.0
1942	148.5	207.6	166.2	170.0	220.8	255.8	254.4	242.9	206.4	112.0
1943	147.5	207.9	166.3	169.4	217.2	251.5	248.6	238.2	203.8	111.4
1944	139.5	194.6	158.6	159.8	198.6	230.4	225.5	217.3	188.5	103.9
1945	173.4	241.0	197.8	198.9	254.7	293.8	292.0	279.5	239.2	131.5

Source: My calculations based on DNT (1935; 1937), Dirección de Estadística Social (1947), and Secretaría Técnica (1947)

As the monthly wage perceived per worker increased, the families tended to spend more money. The workers' families spent more than 60% of their income in food items and a bit more than 25% of it on rent. On the other hand, employees' families spent around 45% of their income in food and around 50% on rent. The remaining share corresponded to housing goods, items comprised in the third component of these budgets. Families whose head of household received a higher wage had a bigger consumer capacity. Nevertheless, this was not always the case, like the m\$n200, m\$n300 and m\$n350 budgets show. This might be related to the low number of cases considered in each wage category (see Chart 1). Another issue to consider is the representativeness of the budgets if the survey refers to the expenditures of a single month.

Chart 2 shows a discrepancy between the values in the m\$n120 budget and the theoretical budget. They should be equal or at least similar, since the theoretical budget refers to the lowest wage category of a family with three children. As it has been shown, the difference was based on the fact that the quantities of the theoretical budget were not based on the ten families that correspond to the m\$n120 wage category, but solely on those four who in October 1933 spent what they earned. Given that the remaining six families spent well above their earnings, throughout the period, the theoretical budget here estimated represented, on average, 76% of the m\$n120 budget. Despite that, between 1933 and 1945 both series increased an almost identical percentage, while the theoretical budget increased

⁷ This chart does not gather the data of all the wage categories analysed. It picks the most representative ones. Four categories are omitted.

51%, the m\$120 increased 50%. The comparison of the average budget of the ten wage categories and the theoretical budget is also interesting. That is, the average spending of the 49 families surveyed who have the same family structure and that of the four families with the lowest spending. The theoretical budget estimated here represented around 54% of the average budget. When looking at the growth throughout the whole period, the average budget increased 47%.

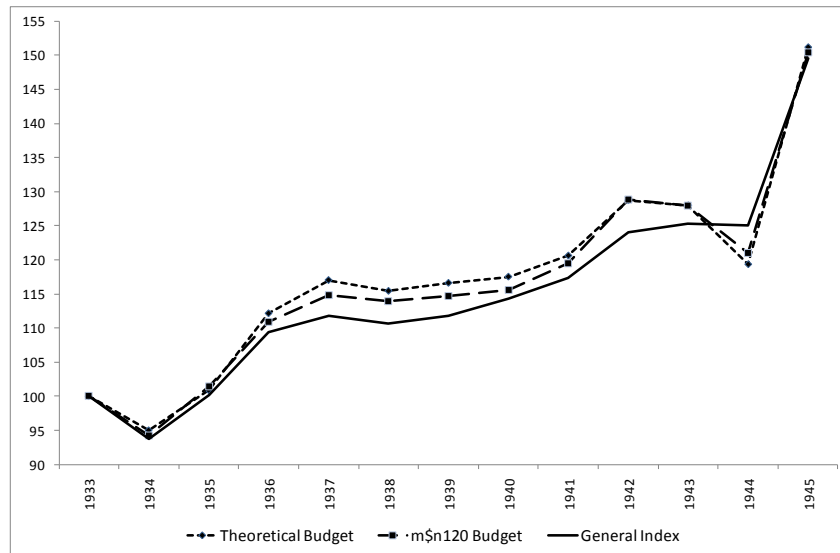
When considering all the budgets, the cost of acquiring the different baskets increased between 45.1% and 52.5%, comparing 1933 and 1945. The lowest bound corresponded to the m\$300 budget, while the upper bound refers to the m\$230 budget. The m\$230 budget was followed by the re-estimated theoretical budget and then the m\$120 budget. How the last two budgets mentioned rank is an indicator that inflation tends to affect relatively more those that earn a lower income. The discrepancies between groups in the overall increase throughout the period reflected the different shares each component had. Given that rent increased less than food, workers' families had to spend relatively more money to acquire the same goods in 1945 compared to 1933.

The chart also shows an increasing gap between how much each basket costs and the average wage it refers to. The data reflects how much the cost to consume the same basket changed over time. It does not say anything about the feasibility of acquiring it. If wages were not adjusted, the lower wage categories—the families whose head of household was a worker—would have had increasing deficits. This was not the case when considering the families whose head of household was an employee.

As mentioned, there were discrepancies in the budgets of the lowest wage category and the theoretical budget. Graph 3 compares the trends in three budgets transformed in indices: the general CLI, the TBI and the m\$120 per month budget index between 1933 and 1945.

Graph 3: Growth in the general, theoretical and m\$n120 budgets, 1930-1945

Base 1933=100



Sources: My calculations based on DNT (1935; 1937), Dirección Nacional de Estadísticas y Censos (1968), Dirección de Estadística Social (1947), and Secretaría Técnica (1947)

Graph 3 depicts the growth trends of the three indices. The three indicators should have had similar trends since they refer to the same group of individuals—the lowest wage earners with the same family structure. The three series show that the cost of acquiring the same basket between 1933 and 1945 increased around 50%. Nevertheless, the growth between 1936 and 1944 varied, the gaps in the trends opened and closed. Between those years, the variations in the general CLI were lower than the variations in the other two, which moved closely together. In 1944, rent prices decreased substantially and thus the TBI as well as the m\$n120 budget index decreased relatively more, due to the higher weight that rent had in the general CLI.

The differences with the general CLI corresponded to the evolution of the clothing component and the stability of the general expenses for almost a decade, both excluded in the TBI as well as in the m\$n120 indices. It is worth recalling that the TBI and the m\$n120 budget index considered goods that represented more than 85% of the general CLI. From 1938 to 1944 the clothing module—which represented only a 5.3% of the general CLI—showed a rather large increase. The general expenses component, which had a share in the total budget of 8.2%, was stable for the majority of the period. Apart from the few numbers of cases considered by the DNT to elaborate the TBI—which says a lot about how representative of society as a whole the general CLI was—, these different trends can be considered as an indicator of underestimation of Argentina's CLI during those years. As we will see later on, this has impacts on the estimates of the material standard of living.

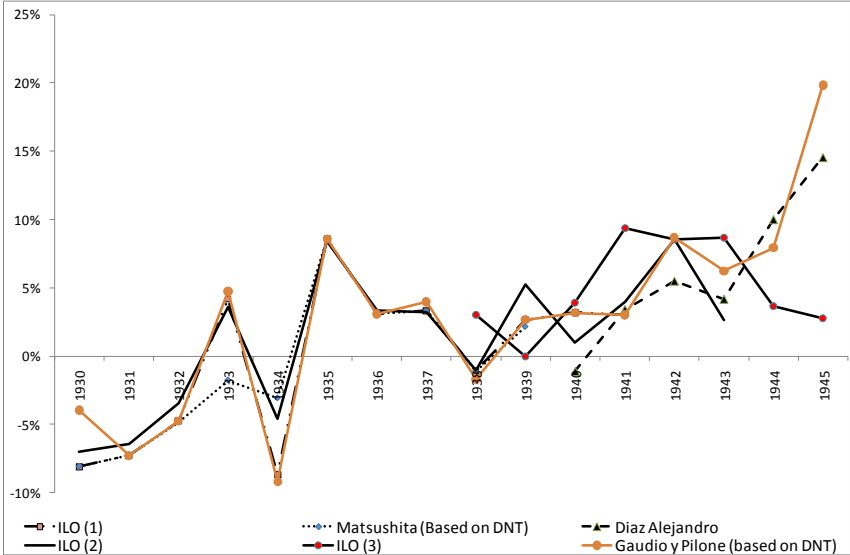
Different baskets show different trends. The cost of acquiring the same basket increased for all the baskets considered in a rather similar amount—between 45% and 52%. Nevertheless, there were differences in the trends. These discrepancies stand out when

comparing the TBI, the m\$120 budget index and the general CLI, which should not be significant since they refer to the same group of individuals. Given also the difference between the general CLI and the trend in the average budget of all 49 cases, there is an indication of an underestimation of Argentina’s CLI. This can be related to the fact that the base for the general CLI was the budgets of only four families that earned what they spent in the month the survey was carried out. Moreover, at a given basket as well as given monthly wages, the families whose head of household was a worker would have had increasing deficits. This was not the case for the families whose head of household was an employee. This could be an indication of a deterioration of the living conditions of the workers and their families. Looking at wages, in the following section, will help us complete this picture.

5. A standard of living measure: real wages

There are several ways to measure the standard of living. One of the most widely used is real wages.⁸ As mentioned before, this was one of the objectives of the Argentine public bodies that carried out the household budget surveys. This section will consider the trends in different real wage estimates using the new budget estimates. Graph 4 shows the trends in the different nominal industrial wage estimates.

Graph 4: Year on year variations of different nominal industrial wage estimates, 1930-1945⁹



Sources: My calculations based on Díaz Alejandro (1970), Gaudio and Pilone (1983), ILO (several years), and Matsushita (1983)

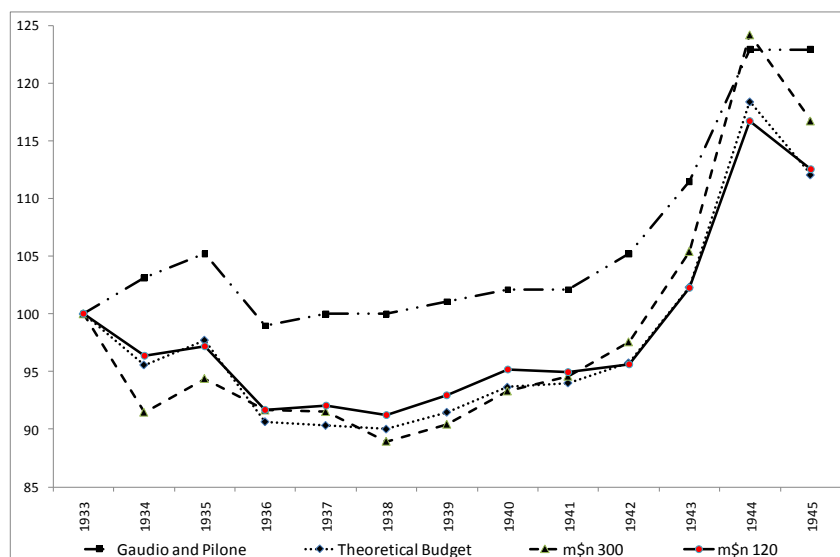
⁸ As for the authors that analyse real wages, one can mention Allen (2001), Feinstein (1998), Lindert and Williamson (1983), Pamuk (2005), Phelps Brown and Hopkins (1956), among many others.
⁹ The slightly longer time period chosen here is to show how the different estimates move.

When looking at the variations of the different nominal wage estimates, two periods stand out. The first was from 1930 until 1938, when the four estimates—Gaudio and Pilone, ILO (1) and (2), and Matsushita—showed similar—in some cases practically identical—year on year variations. Industrial nominal wages declined until 1934, as a result of the impact of the Great Depression. From then on, industrial wages increased and even more so during the 1940s, before Perón became the head of the DNT in 1943. During the second period, all estimates showed increasing wages, but the year on year variation was quite different amongst them all. Between 1939 and 1945 the ILO (3) and the Díaz Alejandro estimates showed that nominal wages increased around 42% while Gaudio and Pilone’s estimate showed an increment of almost 59%. While ILO (2) and (3) estimates showed that the major increases were before 1943, the Díaz Alejandro one showed sharp rises after that year. The Gaudio and Pilone one stands somewhere in between, showing a very large increase in 1945.

Given the variety of budgets and wage data, it is possible to estimate different real wage series. Using the Gaudio and Pilone estimate on the nominal wage—since it is the only one that extends through the whole period—and the new budget indices, the following graph maps out several real wage estimates.

Graph 5: Real Industrial Wage Estimates, 1930-1945

Base 1933=100



Sources: My calculations based on Departamento Nacional de Trabajo (1935, 1937), Dirección de Estadística Social (1947), Gaudio and Pilone (1983), and Secretaría Técnica (1947)

Graph 5 shows how different CLI generate different real wage estimates. The Gaudio and Pilone series of this graph was the one estimated by the authors using the general CLI. The rest were elaborated using their nominal wage estimate divided by the new cost of living estimates. The choice of the TBI and m\$ñ120 budget index relates to their similarity with the general CLI. The choice of the m\$ñ300 is to analyse what happens with the budget that

increases the least throughout the period, aiming to demonstrate the highest real wage rise of the new estimates.

The first striking observation that stands out is the gap between the Gaudio and Pilone series and the other three—at least until 1943. The narrowing of the gap in 1944 related to the important decrease of rent, which had important impacts in the three budgets, especially in the m\$n300 one. The m\$n300 was an employee's and not a worker's budget and thus the weight of rent in total expenditure was rather high. As a consequence of this observation, real wages for Gaudio and Pilone were quite stable until 1941—apart from the increase in 1934 and 1935. Only in 1936 the real wage index number was below that of 1933. Between 1933 and 1945 it increased around 22%. The trends in the other three estimates were rather similar between each other. In different proportions, real wages declined until 1937. This was because nominal wages declined (Graph 4) and the cost of living increased (Chart 2, Graph 3), or because the cost of living rose more than the nominal wage. From 1938 onwards, the increases in wages outstripped the increases in the cost of living, and real wages rose. Until 1942 the improvement of the real wage was modest—between 3% and 6%. But when comparing 1942 to 1944, real wages estimated for these three budgets raised between 22% and 27%. Amongst these three estimates there was no clear pattern in the gaps between them: sometimes the m\$n300 grew/declined less than the other two and on some years the opposite happened.

There is a discrepancy between the three estimates and the Gaudio and Pilone one for 1945. While for the latter the real wage was the same in 1944 compared to 1945—meaning that prices and wages increased in the same amount—in the new estimates the real wage decreased between 3% and 6%. This is also controversial, since the literature stated that from 1943, with Perón in the National Labour Department, real wages improved. Once again, this improvement was related mainly to the behaviour of the rent component, which was the reason why the m\$n300 estimate was the one that decreases the most.

It is worth acknowledging that these results on the material standard of living of the working class of the city of Buenos Aires differ from Salvatore's findings (2004; 2007; 2009; 2010) on wider aspects of the standard of living. More work is to be done in this regard to assess these differences more thoroughly.

Resembling the previous section, different estimates show different trends, in this case regarding real wages. Using the same nominal wage series, this section has confirmed that underestimating the trends in the CLI had impacts in the real wage and thus in the conclusions about the standard of living of workers and employees during the pre-Perón period.

6. Conclusions

The poor living conditions of the workers during the 1930s and the beginning of the 1940s are considered, among other things, as one of the factors behind the origins of the Peronist Movement. In this paper, this issue has been re-considered using detailed family budget information from a 1933 survey which has not been used before.

A group of authors sees the Great Depression and its effects in the Argentine economy as a major factor behind the origins of the Peronist Movement. They assume a miserable economic situation and standard of living but never deeply analyse it. The key indicator they look at is real wages, though they never question the data used to estimate it. First of all, this paper has revised how the CLI was constructed in the 1930s. The general CLI was a result of a one month survey carried out in October 1933 in the city of Buenos Aires. The survey was very extensive in terms of the income ranges and demographic characteristics of the families surveyed. Nevertheless, the budget that became the basis of that index solely gathered the preferences of four families with three children under the age of 14 of the lowest wage category that in that month spent what they earned. There was no information about the techniques used to select the families who answered the survey, nor how the narrowing down of the sample was made. The quantities of the goods and services of the theoretical budget were not directly measured. What were measured were the values of the goods and services consumed and quantities were obtained later on. Moreover, how the DE of the DNT arrived at the definite quantities that formed the theoretical budget was not completely specified: issues regarding how the clothing component was estimated, for example, were never addressed.

Using the extremely detailed data of the 1933 survey, this paper then estimates the costs of acquiring different baskets between 1933 and 1945. Looking at different wage categories, results show that the cost of acquiring the same basket increased for all the baskets considered in a similar amount—between 45% and 53%. Nevertheless, there were differences in the trends. The general CLI showed discrepancies with the re-constructed TBI—which was the basis of the general CLI and it is based on the budgets of those families with the lowest levels of income and expenditure—and with the m\$120 budget index—the lowest monthly wage category. Even if the two budgets estimated here do not consider all the goods and services of the general CLI—due mainly to the lack of data—they accounted for around 86% of what the general index considers. The two new estimates show that the cost of living increased more than what the general CLI shows. The differences amongst these estimates relate to the trends of the different components analysed in each index. Also, discrepancies are associated with the amount of budgets considered in each estimate. Given also the difference between the general CLI and the trend in the average budget of all 49 cases, there is an indication of an underestimation of Argentina's CLI. This can be related to the fact that the base for the general CLI was the budgets of only four families. This could be an indication of a deterioration of the living conditions of the workers and their families.

This paper suggests that the CLI elaborated by the DNT and based on the theoretical budget was not representative of the Argentine society as a whole. It only reflected prices and preferences of a certain type of families of Capital Federal. This index was not a weighted average of all the cases surveyed—or of a majority of them. It only considered the consumer preferences of four families who live on a very low wage and who spent what they earned. All this should be revised in order to estimate a more representative index. The advantage of the general CLI remains on the fact that it covers clothing and general expenses though their share in the total budget is less than 15%. The clothing module is impossible to trace because there is no data on consumption on the detailed budgets. As for general expenses, the consumption is stated but so far no data has been found on prices for these goods.

This first revision of the general CLI hints at an underestimation of the evolution of the cost of living during the period 1933-1945 if one considers a broader sample of families, but a narrower sample of goods and services. As a consequence, real wages showed a different behaviour than what the literature states. Using the same nominal wage series, one sees that underestimating the trends in the CLI has impacts in the real wage and thus in the conclusions about the standard of living of workers and employees during the pre-Perón period.

The publications of the official organisations tried to set the foundations to analyse the standard of living of the Argentine society, especially the working class. This paper has shown that the result of these studies is the elaboration of a biased indicator that only accounts for the behaviour of the poorest segment of society and that might be underestimating the cost of living faced by workers and society as a whole. The official CLI has been used to analyse the standard of living of the working class as a whole when trying to assess the factors behind the origins of the Peronist Movement. Moreover, that CLI is also used as the inflation index of the Argentine as a whole when elaborating a long term series. This paper suggests that these two uses of the official CLI should be revised.

Lastly, apart from shedding light on historical issues, this paper relates to the present situation of Argentine statistics, in which the political intervention of the INDEC has distorted the consumer price index and thus our perceptions of economic and social reality. The deliberate choice of elaborating a specific indicator can alter the interpretation of reality. Those misunderstandings will condition our views and our history. Thus, elaborating indicators that are based on actual facts is fundamental and necessary.

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