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Workers' Indebtedness and Rentier Squeeze: rentier income, profit of enterprise, and wages in Brazil (2000-2017)

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Abstract

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The purpose of this paper is to locate rentiers in the Brazilian distributive conflict. A rentier income share is estimated and compared to the shares of wages and profit of enterprise for the period between 2000 and 2017. The estimation allows for an analysis of the role played by interest payments out of wage income and profits in the tripartite functional income distribution, as well as an examination of the trajectory of the income of the financial firms. From 2004 to 2011, pressures from rising wages were shifted from functioning capitalists to rentiers and from the latter back to workers, as rentiers managed to compensate for the fall of property income received from functioning capitalists with a rising interest income coming from workers. In the period between 2012 and 2013, however, rentiers exhausted their ability to pass on the distributive pressures to workers and experienced an income squeeze.

Keywords: Financialisation, rentier income share, functional income distribution, Brazilian economy

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Luís Inácio Lula da Silva, president of Brazil between 2003 and 2010, frequently claims that the banks never made as much money as they did in his governments, resenting the fact that they allegedly turned against his successor, Dilma Rousseff.[1] Headlines of record profits by banks show up in the press regularly. Such anecdotal evidence points to the fact that the Brazilian economy seems to be a notorious example of the centrality of financial institutions and financial interests in contemporary capitalism.

This characteristic was partly rooted, for a long time, in the extraordinarily high level of interest rates, a common feature among peripheral economies (Becker et al., 2010; Bonizzi, 2013). While, at first, the high policy rate aimed at attracting foreign capital flows to an economy that was heavily dependent on external financing, afterwards it became the basic instrument to curb domestic inflation. In this way, financialisation in Brazil has been a two-sided process. Externally, "the country positioned itself as an international platform for financial valorization" (Paulani, 2010, p. 269) and, internally, it consolidated a pattern of financialisation "of usurious and patrimonial origin" (Bruno and Caffe, 2017, p. 1043, see also Lavinas, Araújo, and Bruno, 2017, Bresser-Pereira, Paula and Bruno, 2020).[2] This dual character is an example of how the "subordinated nature of financialisation" manifests itself: "whereas the international integration transforms the domestic financial system in ECEs [*emerging capitalist economies*], it is these same transformations which facilitate and further deepen financial integration" (Kaltenbrunner and Painceira, 2018: 291; see also Bonizzi, Kaltenbrunner and Powell, 2020).

Recently, however, these two salient aspects of the Brazilian economy – the high level of the policy rate and the dependence on foreign capital – went through substantial transformations. In 2018, the nominal policy rate reached 7 per cent for the first time in recent history and it has declined further since then, standing currently (October 2020) at 2 per cent (implying a negative real rate). Brazil seems to have finally caught up with the current world pattern of low policy rates. Also, the immense accumulation of foreign reserves by the government since the mid-2000s altered its position from net foreign debtor to net foreign creditor and reduced the dependence on foreign capital, even if net external indebtedness still characterizes part of the private sector.[3]

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[1] See, for instance, a speech he made in March 2016, available at https://tvuol.uol.com.br/video/nunca-ganharam-dinheiro-como-no-meu-mandato-diz-lula-sobre-banqueiros-04020D183666C0C15326.

[2] All quotations from literature in a language other than English were translated by us.

[3] Such changes in the Brazilian external position may be temporary, of course. Moreover, as suggested by Biancarelli, Rosa, and Vergnhanini (2017), the absence of a balance of payments crisis in the recent period does not necessarily mean the overcoming of external

It would be, of course, premature to conclude that these two developments meant the weakening of the financialisation of the Brazilian economy. As recent literature has argued, they should be interpreted as changes of the nature of financial integration, "new forms of external vulnerability", and new arrangements of domestic financialisation (Kaltenbrunner and Painceira, 2015, 2018). Indeed, in the past two decades, these changes coincided with several transformations that indicate the deepening of financialisation in Brazil: growing reliance of nonfinancial firms on foreign debt, rising dividend payments, increasing household indebtedness, among others (Dos Santos, 2013; Rezende, 2016; Lavinas, Araújo, and Bruno, 2017; Kaltenbrunner and Painceira, 2018).

The present paper aims to complement this literature by examining the consequences of some of these recent manifestations of financialisation in Brazil on the distribution of income and the forms of class struggle. The objective is to consider the trajectory of the share of income related to rentier activities, comparing it to the shares appropriated as profits of enterprise and wages. Its main contribution is bringing to the fore one of the distributive consequences of rising workers' indebtedness: the commitment of larger shares of wage income to interest payments (Dos Santos, 2009; Lapavitsas, 2009; Lattanzi-Silveus, 2019). The estimate presented here suggests, in contrast to previous research, that the wage share of income – when net of interest payments – has fallen almost continuously between 2001 and 2011.

It must be recognized, however, that workers' indebtedness is just one of the aspects that explains how income distribution changes due to the effects of financialisation. Other determinants not addressed in this paper are, for instance, exchange rate dynamics (Kaltenbrunner, 2010, 2015), financial accumulation effects on growth (Araújo, Bruno and Pimentel, 2012), and social policy (Lavinas, 2017).

Bearing in mind the ambiguities inherent in the distinction between rentier and functioning capitalists, the next section analyses the theoretical literature on the subject, focusing on formulations that examine the relationship between intraclass and interclass distributive conflicts. Section 2 turns to the previous empirical literature that estimated rentier shares of income, describing the similarities and differences between the present exercise and the previous ones. Section 3 focuses on the trajectory of the different components of rentier income. Section 4 contextualises the trajectory of the rentier income share in the political economy of the period. Last, section 5 offers concluding remarks.

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vulnerability, given that the economy remains strongly related to international financial and productive cycles.

1. Bringing rentiers in: a tripartite distributive conflict

In Part Five of Volume 3 of *Capital*, Marx (1894/1991) examines "the division of profit into interest and profit of enterprise." Several issues are raised in this part, many of them recently tackled by the financialisation literature. One of them concerns how such a division of profit is associated with the dynamics of class conflict in capitalism. According to Marx, "this division (...), once it becomes a qualitative one, receives this character of a qualitative division for the total capital and the capitalist class as a whole." (1894/1991, p.499) The division of the capitalist class opposes money capitalists and functioning capitalists (which include both industrial and commercial capitalists) (Idem, p.472). The conflict between these two factions of the capitalist class maintains its inner connection with the exploitation logic but goes beyond it: the dispute over the realized surplus value overcasts the tension between capitalists and workers, reveals the division of the capitalist class, and defines interest-bearing capital alongside productive capital, adding complexity to the determination of profit and interest rates (van der Pijl, 1984/2012: chap. 1, Pivetti, 1985, 1991, Panico, 1988, Argitis, 2001, Harvey, 2018: Vol. 2, chaps. 5-7). Once interest-bearing capital is brought in, both the dynamics of capital accumulation and the political conflicts related to it need to be reconsidered.

Whereas workers and functioning capitalists are more elementary categories, the definition of money capitalists (which will be henceforth referred to as rentiers) is a knotty task, especially considering contemporary forms of capital accumulation. Since their activities have been historically transformed and diversified (Duménil and Lévy, 2001, p. 583-4, Paulani, 2014, Chesnais, 2016), a general definition could consider both its ties with the traditional forms of financial activity, credit relations, and banking (Hilferding, 1910/1981) and with the reproduction of fictitious capital that characterize contemporary financialisation (Lapavitsas, 2009, 2013; Fine, 2010, 2014)

The role of rentiers in the class conflict has been regularly analysed, both in popular discourse and in theoretical formulations. Some of these efforts attempted to examine the relations between interclass conflicts (that is, between capitalists and workers) and intraclass conflicts (between the two factions of the capitalist class). In such a way, a tripartite distributive conflict is conceived, resulting in a functional income distribution that has three (rather than the usual two) components: wage, profit of enterprise, and rentier income. Kalecki (1943) may have been one of the first modern economists to make a suggestion along these lines, in his classic "Political Aspects of Full Employment". Although his focus is mainly on the conflict between capitalists and workers, he claims that "lasting full employment" tends to coincide with price increases, as capitalists attempt to compensate for rising wages. Such an increase in the price level occurs at "the disadvantage of small and big *rentiers* and makes them 'boom tired'" (p.329). Interclass conflict overlaps with intraclass conflict, as rising wages and prices are obtained at the expense of the rentier income.

Later literature that followed on Kalecki's footsteps and explored the cyclical nature of the distributive conflict contributed to further specify these connections. Boddy and Crotty (1975), for instance, corroborate Kalecki's suggestion that rentiers stand to lose in the boom, but, for them, the same is true for the functioning capitalists. Kalecki assumed that profits increased with full employment, given higher capacity utilization rates and capitalists ability to pass wage increases along to prices. His main argument was, thus, that capitalists would oppose full employment policies, *despite* the higher profits received. For Boddy and Crotty (1975), however, empirical evidence suggests that profits actually decline in the boom, as Marx had claimed, and the alliance between rentier and functioning capitalists for contractionary policies, predicted by Kalecki, becomes more straightforward given the alignment of their economic interests.

In Epstein's (1996, p. 685) view, "the Kalecki and Boddy-Crotty analyses are each applicable depending on the nature of the exchange rate regime". Under flexible exchange rates, currency depreciation might compensate for capitalists' losses and a profit squeeze becomes less likely. Once capitalists' profits are preserved, there is no convergence between rentiers and capitalists on supporting government contractionary policies, given that full employment results only in a rentier squeeze. According to him, "rentiers might have sufficient political power to convince the government, and particularly the central bank, to impose restrictive macroeconomic policy, even before industrialists become concerned about the increasing political power of labor." Kalecki's "political business cycle", in this view, could result only from rentiers' pressure. Under fixed exchange rates, however, Boddy and Crotty's (1975) "analysis is more likely to apply".[4]

This literature focused prominently on the effect of inflation on rentier income, playing down the potential role of the level of the interest rate. The gap was filled by the works of Pivetti (1985, 1991) and Panico (1988), who introduced into a Sraffian framework the tripartite distributive conflict (see Argitis, 2001, p. 461-464, and Lima and Setterfield, 2010, p. 24-26). According to them, permanent changes in monetary policy, through its impact on the

[4] In later work, Epstein (2002/2019) suggests that, in financialised environments, rentiers might be interested in "asset inflation" bubbles and prefer lower interests' rates alongside functioning capitalists.

cost of production (borrowing cost is assumed to be part of the cost of production), affect prices and, through them, the profit and wage rates.

It should be mentioned that Keynes was also concerned about the role played by rentiers, referring to them, in the *General Theory*, as "functionless investors" and famously defending the "euthanasia" of the rentier class (see, on Keynes' views on the issue, Seccarreccia and Lavoie, 2016: p. 207-209). His works on this theme were continued by Post-Keynesian economists working with models of growth and distribution. They have first focused on the effects of interest rate changes on accumulation and rentiers' position in the distributive conflict. With the growing importance of the financialisation debate, rentiers' treatment incorporated the shareholder rationale. Regarding the tripartite distributive conflict, Post-Keynesian models do not deviate much from the Kaleckian and Sraffian frameworks. In general, alterations in the interest or dividend rates affect firms' mark-up and change income distribution depending on the conditions set up to class disputes (i.e., the degree of wage flexibility or the mark-up elasticity to the interest rate) (Dutt, 1989; Hein, 2007; Hein and Van Treeck, 2007, 2010).

Notwithstanding the several analytical possibilities that arise from the tripartite distribution, it has to be admitted that distinguishing functioning capitalists from rentiers in contemporary capitalism may prove to be more complicated than the literature above suggests (Lapavitsas, 2009, p. 141-143). First, individual capitalists often alternate between the two roles, transforming their accumulated profits of enterprise into money capital. In this case, "[w]hat initially appears as a relation between class factions is actually internalized within the persona of the individual capitalist," when he or she embraces "two very distinctive roles." (Harvey, 2018, p. 472). Second, the separation between ownership and management also complicates the clear identification of the two factions. Marx himself noted this phenomenon when he analysed the "formation of joint-stock companies," arguing that it entailed the "[t]ransformation of the actual functioning capitalist into a mere manager, in charge of other people's capital, and of the capital owner into a mere owner, a mere money capitalist." (Marx, 1894/1991, p. 567, see also Duménil and Lévy, 2001, p. 584). Recent literature on top incomes suggests that the apex of income hierarchy in rich countries comprises both the "top executives" and "capital owners," the distinction between the two groups being anything but clear (Piketty, 2014, chap. 8, Milanovic, 2016, p. 184-188; Vasudevan, 2017). Third, shares of non-financial corporations are increasingly owned by financial institutions (Glyn, 2006, p. 56, Lagoarde-Segot, 2017) and there is a large literature that discusses the engagement of the former in financial activities and their reliance on financial gains (Krippner, 2005, p. 182-186, Fiebiger, 2016, Rabinovich, 2019).

It may be plausible to argue, in light of these processes, that the distinction between functioning and rentier capitalists has become even more complex to determine. However, the conflict inherent in the division of profit between interest and profit of enterprise might still lead, in specific places and contexts, to the organization of conflicting factions, consisting of groups predominantly involved in, respectively, commodity production and rentier activities. Class struggle is not merely a reflection of class structure but emerges from the interplay of these structures and the historical processes of class formation, being thus contextually contingent (Wood, 1982). Besides, if part of the above-mentioned processes could blur the frontiers between the two factions, they could also, alternatively, lead to the establishment of a "financial aristocracy," separated from – and opposed to – functioning capitalists (Marx, 1894/1991: 569; for a recent assessment, see Hager, 2015).

2. Data and definitions

Attempts to examine empirically the tripartite distributive conflict are less abundant than the theoretical literature about it. For the present purposes, two lines of research focused on estimating rentier shares of income need to be analysed.[5] The first of them is the one represented by the work of Epstein and his co-authors, which aim to compare intertemporal and international trends of financialisation in OECD countries (Epstein and Power, 2003; Power, Epstein, and Abrena, 2003; and Epstein and Jayadev, 2005). Referring to Marx's and Kalecki's views on the rentier class, and considering data limitations, they define rentier income as "profits earned by firms engaged primarily in financial activities plus interest income realized by all nonfinancial non-government resident units, i.e. the rest of the private economy" (Epstein and Jayadev, 2005, p. 50) The rentier income is, then, divided by gross national product (GNP) net of government expenditures to arrive at the rentier share. Although this approach allows a comparison of the rentier share across countries and through time, it does not lend itself to an examination of the tripartite distributive conflict, given that the two other shares could not be easily defined in the same way.

The second line of research was first proposed by Dünhaupt (2012) and later taken forward by Hein et al. (2017, 2018). Its starting point is precisely the referred limitation of the former approach. In Dünhaupt's (2012, p. 474) words, while Epstein and his co-authors "present a comprehensive picture

[5] Similar efforts, although less connected to this empirical exercise, can be found in Duménil and Levy (2001), Argitis and Pitelis (2006), Kohler, Guschanski and Stockhammer (2019), among others.

about the evolution of rentier income shares, they do not provide evidence at whose expense rentiers could increase their share in national income."

This line of research offers, then, an alternative calculation of the rentier share, allowing for comparison of the tripartite distribution among rich economies and within them. In this case, the rentier income is defined as the net property income of households, given that "on balance, corporations and the government pay for the rentier income of the household sector with only a very small positive rentier income of the corporations. Therefore, it is the private household sector to which the money ultimately goes." (Dünhaupt, 2012, p. 477) As a consequence, the net national income is divided into three parts: retained earnings of corporations (financial and nonfinancial profit income), net property income (rentier income), and compensation of employees (wage income). By excluding the financial sector's profits and property income from the rentier income, it offers a narrow definition of the rentier share.

The estimates for the rentier share of income in Brazil presented here are based on a definition that combines elements from the two approaches presented above. On the one hand, following Epstein and his co-authors, profit and property income of the financial sector are included in rentier income. On the other, following Dünhaupt, the definition aims at dividing the national income into three parts (the rentier income, the profit of enterprise, and the wage shares), to make the distributive conflict quantifiable. Rentier income (R), therefore, is defined as:

$$R = GOS_f + NPI_f + IIR_h \tag{1}$$

Where GOS_f is the gross operating surplus of the financial sector, NPI_f is the net property income received by the financial sector and IIR_h is the interest income received by households.[6] Normally, wage income (W) is defined by the sum of employees' compensation EC and a share of gross mixed income (GMI_w) calculated in a way proposed by Gollin (2002). However, to account for the redistributive effects that arise from the inclusion of the rentiers, W is defined as the following, where IIP_h represents the interest income that is paid by households:

$$W = EC + GMI_w - IIP_h \tag{2}$$

Finally, profit of enterprise (P) is defined as:

[6] "Households" refer to the sum of households and non-profit institutions serving households (NPISH). In the national accounts, property income includes interests, distributed income from corporations, reinvested profits from foreign direct investment, income from investment disbursements, and income from natural resources.

$$P = GOS_p + GMI_p + NPI_p \quad (3)$$

In this case, GOS_p represents the economy's gross operating surplus net of GOS_f and of the governments' gross operating surplus (that is, $GOS_p = GOS - GOS_f - GOS_g$), GMI_p is the remaining share of the gross mixed income ($GMI_p = GMI - GMI_w$) and NPI_P is the economy's net property income net of NPI_f and of the net interest income received by households (that is, $NPI_p = NPI - NPI_f - NII_h$, where $NII_h = IIR_h - IIP_h$). NPI_p is generally a negative component that deducts from gross profits the interest payments (net of interest received).[7]

Adding the three components together, one obtains the gross national income of the private sector (GNI_{priv}), that is, gross national income minus taxes (net of subsidies) on production and imports minus government's gross operating surplus. In other words, the three components of income "exhaust" the gross national income of the private sector. This becomes clear after a simple algebraic manipulation. Adding definitions (1), (2), and (3), one obtains:

$$R + W + P = GOS - GOS_g + GMI + EC + NPI = GNI_{priv} \quad (4)$$

Then, dividing by GNI_{priv}, it is possible to obtain the three shares:

$$\frac{R}{GNI_{priv}} + \frac{W}{GNI_{priv}} + \frac{P}{GNI_{priv}} = 1 \quad (5)$$

The definition above implicitly considers dividends received part of the profit of enterprise, instead of part of the rentier income, an issue that divides the two lines of research discussed above. Dünhaupt (2012, p. 474) includes dividends in rentier income, claiming that this option is adequate to a "broader perspective regarding financialization," given that dividend income "is certainly a major channel of influence of increasing shareholder power on income distribution." The alternative – including dividends in profits of enterprise – is the option of Epstein and Jayadev (2005, p. 49), who claim that "[e]xcluding dividends of nonfinancial firms [from rentier income] thus allows us to talk about possible divergences of interest between finance and industry." When applied to Brazilian data, Dünhaupt's definition

[7] The government and the non-financial sectors are mostly net debtors. The only exceptions are the years of 2006 and 2007, when nonfinancial firms are net creditors. Nevertheless, the net interest income received by them represents less than 3% of total net interest income paid in both years. A potential extension of this exercise could distinguish between financialised nonfinancial firms and non-financialised nonfinancial firms, adding the income appropriated by the former to the rentier income. That could capture another salient aspect of financialisation.

would increase the level of the rentier income share and reduce correspondingly the profit of enterprise share, but would not alter significantly the trajectories discussed below.[8]

The treatment of the interest income of households also deserves justification. The option of considering the interest income received as part of rentier income and deducting interest paid from the wage share is based on the recent literature about the role of workers' indebtedness in contemporary capitalism. Especially, it refers to the recent effort by Marxist literature in conceiving the growing role of consumer finance from a value-theoretic perspective (Dos Santos, 2009; Lapavitsas, 2009; Fine, 2009; Harvey, 2010; Lattanzi-Silveus, 2019). As argued by Lapavitsas (2009), commercial banks, pushed by the "declining reliance of large corporations on bank-finance," have turned to workers to defend their profits, taking advantage of the latter's increasing involvement "in the mechanisms of finance in order to meet elementary needs, such as housing, education, health, and provision for old age" (p. 126, 129). In his view, this move represents a diversification of the sources of financial profits enabled by financialisation, since the extraction of "financial profit directly out of the personal income of workers" (p. 115) occurs as banks appropriate part of wages besides a share of surplus value. This phenomenon is defined by Dos Santos (2009) and Lapavitsas (2009) as financial expropriation. This formulation was strongly criticized (see, for example, Fine, 2009), mainly because the financial expropriation mechanism is conceived by Lapavitsas as a reminiscence of pre-capitalist usury, which suggests that it refers to forms that are not essentially capitalist, and therefore cannot be related to contemporary labour exploitation and capital accumulation. Following this argument, Lattanzi-Silveus (2019: p.107, fn. 18) finds problematic that Lapavitsas considers that financial expropriation manifests itself independently and alongside exploitation. For him, on the contrary, "such expropriation can only take place on a broad scale if it helps increase or at least does not decrease the ability of capital to extract surplus value."

If it is true that such controversy has implications for the analysis of the longer-term consequences of workers' indebtedness in Brazil, the identification of a redistributive impact of consumer finance on the wage share via interest payments – which is the focus of this article – could be accepted by both sides of the dispute. There seems to be a common understanding that "the proximate source of banking profits out of provision of personal finance are the deductions from wages" (Fine, 2009, p. 11). In the present article "financial expropriation" refers to this uncontroversial aspect of workers' indebtedness. Data to capture financial expropriation is

[8] These alternative results are available upon request.

limited, especially due to the difficulty of distinguishing, in the national accounts, workers' from capitalists' households (Lapavitsas, 2009, p. 13). But assuming that most of the interest income received by households accrue to the capitalist ones and that the interest payments are mostly made by workers seems to be an adequate approximation. The examination of the Brazilian data appears to confirm such adequacy.[9]

The present estimation is based on data from the Integrated Economic Accounts of the Brazilian System of National Accounts, which cover the period between 2000 and 2017. Having data for less than two decades, we do not intend to examine the longer-term trends of the tripartite distribution of income, as the two above-mentioned lines of research do. Our focus, instead, falls on the medium-term distributive conflict and inevitably emphasizes cyclical rather than structural aspects of the financialisation process. It has to be recognized, however, the intricate relation between these two dimensions.[10]

Besides, regarding the estimation method, at least three general caveats are worth mentioning. First, as the government sector is not included, the way that fiscal policy mediates the distributive conflict is not captured, potentially biasing the interpretation (see Dünhaupt, 2012, p. 474). Second, the fact that the estimation does not include capital gains implies a limited assessment of the financialisation phenomena. Third, the separation of households according to paid and received interest income suggests a strict division that neglects that intermediate layers of the class structure, which are likely to purchase government bonds and receive interests. These three limitations of the present approach stem from restrictions imposed by data availability that could potentially be addressed by future research.

Finally, to the best of our knowledge, there is only one previous attempt to estimate the rentier share of income in Brazil, undertaken by Bruno and Caffe (2018). The main difference between the present definition and the one adopted by them is that the latter includes the gross operating surplus of the financial sector in the profit share, instead of in the rentier

[9] The majority of borrowers in Brazil are those individuals who earn up to three minimum wages (60,7 per cent of total borrowers in 2014, who were responsible for 28 per cent of outstanding debt) and allocate the sums borrowed mainly to consumption expenses. The indebtedness level among these individuals reached 73 per cent of disposable income in 2014 and the share of debt payments to income was, on average, 24 per cent, the highest among all income groups considered. For around 40 per cent of these individuals, this share was larger than 50 per cent (BCB, 2015, pp.11, 121-126).

[10] Future research could pursue these connections, resorting to different data sources. The fact that the data for the present exercise is only available on an annual basis also hinders econometric investigations of the relations between the concerned variables, a constraint that is common in the empirical literature on the tripartite distributive conflict (see, for instance, Hein et al., 2017, p. 234).

share. In any case, the present paper complements this previous effort, given that the estimations are used for different – if related – purposes.

3. Rentier income in Brazil (2000-2017)

Before examining in details the tripartite distributive conflict, it is useful to analyse the trajectory of the rentier income share in more detail, disaggregating its two main components (Figure 1, Table 1): the income appropriated by financial firms (that is, GOS_f plus NPI_f) and the interest income received by households (IIR_h).

[FIGURE 1 AND TABLE 1]

3.1. Financial firms

Oliveira (2016, p. 244) has recently suggested that "a striking characteristic of the Brazilian banking system" is the capacity of its private firms to earn high profits in different contexts, that is, both in periods of prosperity and crisis. However, he argues that the gradual decline of real interest rates increased the impact of the business cycles on the largest banks, as it raised "the importance of revenues from credit operations" (Oliveira, 2017, p. 8; see also Freitas and Cagnin, 2014, and Santos, 2016, for recent detailed empirical analyses of the Brazilian financial sector). As can be seen in Figure 1, the share of income appropriated by financial firms halved between 2007 and 2012, declining from 5.96 to 2.97 per cent, as the average annual real policy rate fell continuously – from 12.64 per cent, in 2005, to 2.17, in 2013 (see Table 4, below) – and, between 2012 and 2013, interest rate spreads were forced downward deliberately by the government (resorting to the competitive pressure exerted by the public banks).[11] Econometric evidence has found a positive impact of the policy rate on Brazilian banks' return on equity and return on assets (Bittencourt et al., 2017).

The importance of the trajectory of the interest rates to the income appropriated by financial firms should not be underestimated. But a more disaggregated examination of the data indicates that it does not tell the

[11] Taking into consideration the contested nature of national accounting conventions related to banking activities (see Christophers, 2011), especially regarding the flow of interest, GOS_f is not examined separately from the net interest income of the financial firms in the present paper. Both are considered income related to the rentier activities specific of financial firms.

whole story and brings the trajectory of dividends to the fore.[12] Between 2000 and 2007, financial firms received, on average, more dividends than they paid out. These positive net dividends constituted a minor part of the financial firms' income share, but it was a positive part nonetheless. From 2008 onwards, however, the level of dividends paid increased markedly and net dividends became negative: it averaged -0.64 per cent between 2008 and 2012 and -1.77 per cent between 2013 and 2017. Had net dividends remained positive, the decline in the income appropriated by financial firms would have been much milder. Forewarned by the abundant literature that has studied dividend income, one should not exclude the possibility that the trend above reflects a rising shareholder-value orientation (Lazonick and O'Sullivan, 2000).[13] But a different explanation may be responsible for a significant part of it: the anticipation of dividend payments from the Brazilian development bank to the Treasury, for fiscal policy purposes (see Biasoto Jr. and Afonso, 2014, p. 268-273).[14]

Unfortunately, it is not only the development bank that may bias the interpretation of the data. The central bank is also included as part of the institutional sector "financial firms," in the Integrated Economic Accounts of the Brazilian System of National Accounts, something that is not peculiar to Brazil, but a common issue for exercises that resort to this kind of data (see Power, Epstein, and Abrena, 2003, Appendix; and Silva and Santos, 2016). There are many alternatives to deal with these data limitations and they could certainly complement each other to provide more precise interpretations of the trajectory of rentier income. In the present paper, the only adopted one is the analysis of the return on equity (ROE) of the 5 largest Brazilian banks (Table 2). This data confirms the decline identified in the data presented in Figure 1 and Table 1, as average annual ROEs of each of the 5 banks are lower for the period between 2008 and 2011 than for the period between 2004 and 2007. A further decline takes place in 2012 and 2013, Bradesco being the only exception.

[TABLE 2]

3.2. Interest flows and financial expropriation

[12] The other components of the financial firms' net property income should be studied more carefully in future research.

[13] This is suggested by the relative growth in profit participation (around 9 per cent on average) and interest on equity (around 10 per cent) as shares of financial firms' net profits between 2000 and 2017, according to data from the Brazilian central bank. Other possible indicators of trends in shareholder-value orientation (like share buybacks) might be considered in future research. See Lazonick (2014).

[14] Average net dividends received by the government (as a share of GNI_{priv}) increased from 0.33, between 2000 and 2007, to 0.76, between 2008 and 2012.

The other component of the rentier income, the interest income received by households, represented an average of 65 per cent of the total rentier income between 2000 and 2017. In contrast to the income appropriated by financial firms, but similarly to total rentier income, IIR_h did not decline after 2007: it actually increased until 2011 (with a minor fall in 2010), being squeezed only in 2012 and 2013. To understand such a trajectory, it is useful to briefly examine the interest flows in the economy as a whole (Table 3).

[TABLE 3]

Between 2000 and 2017, intersectoral interest flows represented over one-tenth of the gross national income of the private sector.[15] Until 2007, about two-thirds of such flows were represented by government interest payments. On the receiving end of such payments were households, financial firms, and non-residents. After 2007, however, households became the main source of interest payments, overcoming the government. This is crucial to understand how the share of total interest income paid increased more than 2 percentage points, comparing the averages of the periods between 2004 and 2007 and 2008 and 2011, *despite* a reduction of net interest income paid by both governments and nonfinancial firms (as shares of GNI_{priv}). Households absorbed this increase almost entirely, as net interest income (as a share of GNI_{priv}) received by financial firms remained virtually stable whereas net interest income flowing to non-residents declined.[16]

Without distinguishing interest received from interest paid by households, one could think that the financial flows in the Brazilian economy were declining in a period when, in fact, the number of credit relations increased substantially, reaching in an unprecedented manner the poorer sections of society (Dos Santos, 2013, Lavinas, 2017: chap. 3, Garber et al., 2018). One indication of such a development was the increase of household debt as a share of disposable income from below 20 per cent, in 2005, to more than 45 per cent, in 2014 (Rugitsky, 2017). Besides, the average annual growth of debt undertaken by individual earning up to 3 minimum wages was

[15] Intersectoral flows refer to flows between, instead of within, the institutional sectors defined in this part of the national accounts, that is, households, financial firms, nonfinancial firms, government, and rest of the world. The only specificity of the present discussion is dividing the households into two sectors: capitalist households that receive interest payments and worker households that make interest payments.

[16] An issue that deserves further investigation is the fact that rising interest income payments by households went predominantly to households and not to the financial firms, something decisive to the changing composition of rentier income.

almost double the rate of growth of debt by individuals earning more than 10 minimum wages (Garber et al., 2018: figure XIII).

In rich countries, the rise in household debt can be explained as a result of workers trying to keep consumption patterns improving despite decades of stagnant wages (Barba and Pivetti, 2009). In the Brazilian case, in its turn, the story is different: higher indebtedness followed rising wages, as large segments of the population were able to overcome credit constraints, being able to access banking services in general for the first time. Additionally, institutional factors, like the legal permission of a credit modality with automatic repayments from the paycheck (the *crédito consignado)*, stimulated increased borrowing at lower interest rates, especially among the growing share of workers with formal labour contracts. Rising financial expropriation was marketed as a successful financial inclusion.[17]

Household borrowing started to decelerate around 2011, as a result of a set of factors, from policy changes (more restrict macroprudential policies) to a slowing down of labour market formalization. But the main determinant seems to have been the fact that the level of indebtedness had already reached too high a level, for a large share of the population, hindering further borrowing (Paula, Modenesi, and Pires, 2015, p. 423-424, Serrano and Summa, 2015, p. 816-819).[18] As can be seen in Table 3, interest income paid by households (as a share of GNI_{priv}) remained stable, around 6 per cent, if one compares the averages of the period between 2008 and 2011 and between 2012 and 2013, after having increased from less than 3 per cent (the average between 2004 and 2007). The increase that took place during the crisis period, between 2014 and 2017, was due not to larger borrowing, but to higher interest rates and a fall of the denominator, i.e., of gross national income.

The stabilization of household borrowing in 2012 and 2013 is important to understand the rentier share squeeze that is observed in the period, because such stabilization blocked household borrowing from compensating for falling interest payments (as a share of GNI_{priv}) by nonfinancial firms and by the government, as it had done in the preceding periods. The ensuing reduction of total interest payments (as a share of GNI_{priv}), thus, pushed downward the two components of the rentier income share. In other words, since 2005, an increase in the level of borrowing,

[17] It did allow, of course, poorer workers to access basic durable goods and improve living standards. But it did so at the cost of entrenching mechanisms of reproducing inequality (see, for instance, Dos Santos, 2013, and Kim, Lima, and Setterfield, 2019).

[18] Data from the Brazilian central bank shows that households' indebtedness as a share of income received in the previous 12 months (excluding housing credit) increased from 15% in 2005 to 31% in 2011. This level was kept high until 2013. After that, it fell sharply, reaching around 23% in 2017.

especially by workers, compensated for falling real interest rates, sustaining the level of interest payments and of rentier income. As the level of borrowing stabilized, the effect of lower interest rates could no longer be avoided, and rentier income was squeezed. Critically, such stabilization took place precisely at the moment that the government was openly challenging rentier income, by reducing the policy rate and forcing down interest rate spreads – an episode that has been called the "battle of the spreads" (see Singer, 2020).

4. The political economy of the distributive conflict

Having examined the trajectories of the components of the rentier income share, the distributive conflict and the shifts of the three major shares remain to be analysed. The data of the functional income distribution, along with some other relevant variables, can be seen in Table 4 and Figure 2. After an initial period of economic volatility, from 2000 to 2003, in which the three shares swung up and down, economic growth accelerates and wage pressure starts to build up (as can be seen in the rise of the employees' compensation share, in Table 4). First, given the high level of unemployment, the pressure stemmed mainly from policy (especially, increases in the minimum wage) and sectoral dynamics (growth being concentrated in economic activities with above-average wage shares) (Dias and Ruiz, 2016, Martins, 2017, p. 108; for an interpretation of these sectoral dynamics, see Rugitsky, 2017, 2019, and Loureiro, 2020). Later, in the recovery from the global financial crisis that broke out in 2008, actual tightening of the labour market starts to be observed, along with rising strike activity (Medeiros, 2015: chap. 3; Serrano and Summa, 2018; see also Rugitsky, 2020).

[TABLE 4 AND FIGURE 2]

In line with what Kalecki (1943) assumed, functioning capitalists were able to maintain their share of income relatively stable throughout the whole period between 2005 and 2011 (after a decline from the higher 2004 level) (Figure 2). That was not achieved, however, by price increases, as average wages did grow faster than prices, but by falling property income payments, as interest rate fell (Table 4).[19] In other words, monetary policy, deliberately or not, shifted the pressure coming from wages from the functioning capitalists to the rentiers, keeping constant the formers' share of income. Intraclass conflict, thus, took place alongside, and in an interconnected way,

[19] The anticipation of dividends to the Treasury by the Brazilian development bank also played a role, as mentioned before.

to interclass conflict. Rentiers, however, were also able to avoid the squeeze of their income share, actually increasing it. They did so by more than compensating for a falling property income received from functioning capitalists with a rising interest income received from workers. They made from financial expropriation more than what they lost in the division between interest and profit of enterprise. The net result of this tripartite conflict was that the initial pressure from wages went back to the workers, as the mentioned increase in the share of employees' compensation was not sufficient to avoid the reduction of the wage share, stemming from the increase in interest payments (which more than doubled, from an average of 2.77 per cent, between 2004 and 2007, to 6.06 per cent, between 2008 and 2011). Summing up, the profit of enterprise share remained stable between 2005 and 2011, the rentier income share increased by about 3 percentage points, and the wage share fell by about the same amount.

The tripartite distributive conflict is altered in 2012 and 2013, in the run-up to the multiple crises that would start to overlap from 2014 onwards. At this point, the decline in unemployment that began in 2004 had resulted in an unprecedentedly tight labour market and strike activity increased substantially (Braga, 2016, Marcelino, 2017, Summa and Serrano, 2018). The number of strikes recorded in 2013 was the highest in the series compiled since 1984 and was almost 3 times higher than the average for these thirty years (Marcelino, 2017, p. 206). Inevitably, this intensified the wage pressure that characterized the preceding period. Once more, monetary policy shifted the pressure from functioning capitalists to rentiers, more than compensating a decline in the formers' gross operating surplus share with a further decline in their net property income payments.[20] The different feature of this period was the rentier inability to shift the pressure back to the workers. As mentioned before, household borrowing stabilized, constraining rentiers' capacity to increase their income from financial expropriation and to compensate for falling interest rates. Besides, the decline in interest rates was also intensified.

In August 2011, the Brazilian central bank started a process of reduction of the policy rate that would, in 14 months, lead to a decline of 5.25 percentage points, bringing the real interest rate to around 2 per cent. It was part of a policy shift that was immediately denounced by financial market operators as a weakening of the central bank autonomy. It could, of course, be also read as an attempt to make monetary policy autonomous from rentier interests. Additionally, in 2012, the government scaled up the

[20] Arguably, at the same time, fiscal policy was also trying to attenuate the impact of rising wages on the functioning capitalists' profits, especially with a cut in payroll tax, which would end up contributing to turn the primary surplus into a deficit, providing ammunition to the conservative defense of a turn to austerity.

challenge, using the public banks to force down interest rate spreads, leading to a reduction in the market share of the private institutions (Freitas and Cagnin, 2014, Oliveira, 2017, Singer 2020). As a result, the rentier share of income fell by more than 3 percentage points, between 2011 and 2013, and the ROE of the largest banks reached their lowest point since 2000 (Tables 2 and 4). Correspondingly, the shares of the workers and the functioning capitalists grew, respectively, about 2 and 1.4 percentage points. In two years, class struggle unmade the shifts that took place gradually in the eight years between 2004 and 2011: the rentier income share reached in 2013 its lowest level since 2004, whereas the wage share reached its highest level since 2006 (Table 4).

These shifts ended up being short-lived, however. As tensions accumulated, the Brazilian economy collapsed between 2014 and 2016 – GDP fell more than 3 per cent both in 2015 and in 2016 –, squeezing the profit of enterprise share with a reduction of about 2 percentage points of the functioning capitalists' gross operating surplus, a development common during crises. Even with the steep increase in unemployment, the reduction of wage income did not keep pace with the fall of total income and the wage share tended slightly upwards. That is also typical of the beginning of the crisis, but the persistence of high unemployment tends to eventually revert such increase and the wage share has likely fallen after 2017 (data for the more recent years is not yet available). Finally, the rentier income share increased as interest rates recovered from their long decline: the real policy rate reached in 2016 its highest level since 2006. Financial firms were able to take advantage of the crisis by shifting their focus from credit operations to the buying of bonds and shares (Oliveira, 2017).

5. Concluding remarks

The preceding interpretation makes three main contributions to the available literature. The first one concerns the theoretical literature on the tripartite distributive conflict. As Kalecki (1943) anticipated, Brazilian rentiers did get "boom tired," but they did so more because of falling real interest rates than due to accelerating inflation. Besides, they were able to postpone the squeeze of their income share by compensating falling interest rates with increasing credit volume (especially targeted to workers, in a process of financial expropriation). Epstein's (1996) suggestion needs also to be qualified: despite its "dirty floating" exchange rate regime, Brazilian currency did not depreciate during the boom to accommodate rising wage costs. In fact, until 2011, the exchange rate appreciated continuously as the central bank took advantage of the commodities boom and the related global liquidity cycle to hold inflation down (Barbosa-Filho, 2008, Serrano, 2010, Summa and Serrano, 2018). It managed to do so with falling policy rates as international policy rates declined. Such appreciation probably squeezed the margins of the producers of tradable goods, but it is not unlikely that this was insufficient to squeeze profit rates (being compensated by higher capacity utilization rates and capacity-capital ratios) (Martins and Rugitsky, 2018). Profit rates were only squeezed later in the boom, together with the rentier income share, in line with what Boddy and Crotty's (1975) predicted.[21]

The second contribution is related to the literature on the recent trajectory of income distribution in Brazil. Investigations resorting to fiscal data (Medeiros, Souza, and Castro, 2015, and Morgan, 2017) and to a class-decomposition of inequality (Loureiro, 2020) have shown that inequality has fallen, if at all, much less than previously supposed. While the lot of the poorest sections of the population has certainly improved and wage disparity has declined, the class determinants of inequality were mostly untouched. The present tripartite functional distribution of income adds to these findings by revising the trend of the wage share of income, which was believed to have increased since 2004 (see, for instance, Rugitsky, 2017, Saramago, Freitas, and Medeiros, 2018): once interest payments by workers are taken into account, the wage share falls almost continuously between 2001 and 2011. Such decline reinforces the hypothesis according to which growing household indebtedness, by increasing the volume of interest flows from poorer to richer groups, leads to higher inequality (Dos Santos, 2013). It also confirms that financialisation continued to manifest itself in the Brazilian economy despite the falling interest rates.

Finally, the third contribution regards the literature on the recent crisis in Brazil. It has been generally accepted by critical approaches that the origins of the crisis should be placed in an intensification of class struggle that was observed in Dilma Rousseff's first government (2011-2014), even if the details of how this happened are subject to heated controversy (Boito Jr., 2018, Carvalho, 2018, Serrano and Summa, 2018, Singer, 2018, Martins and Rugitsky, 2018). The role of rentier interests is often mentioned in these debates. The present research, by describing the trajectory of rentier income from growing financial expropriation to the rentier squeeze of 2012 and 2013, provides a useful starting point to examine the political action of rentiers and their conflicts with workers and functioning capitalists.

[21] Martins and Rugitsky's (2018) identification of a profit squeeze relies on a functional income distribution that does not consider rentier income. It would be interesting to verify whether the functional income distribution presented here would change this result.

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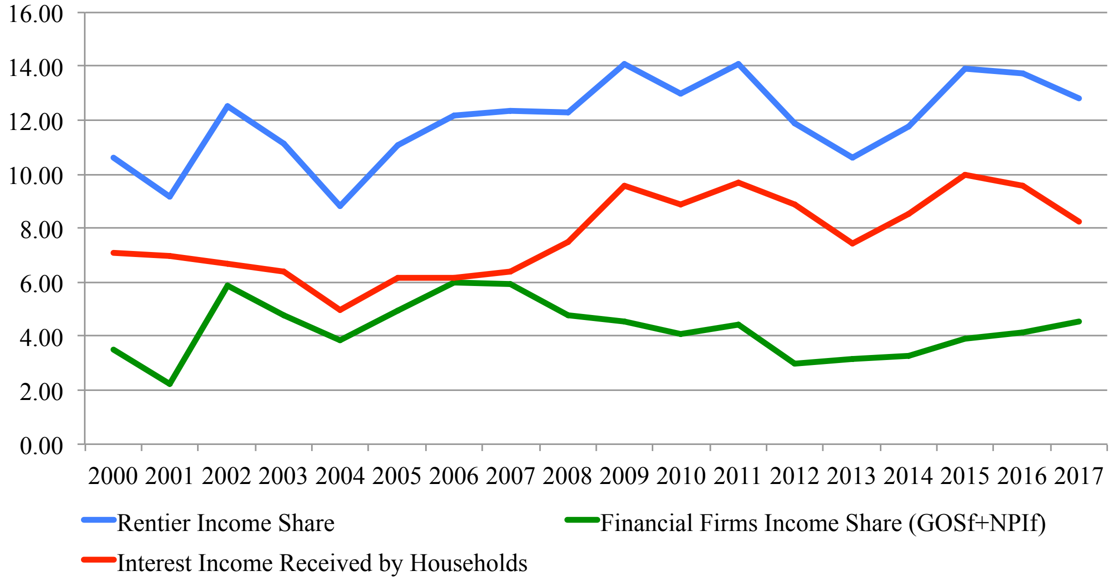
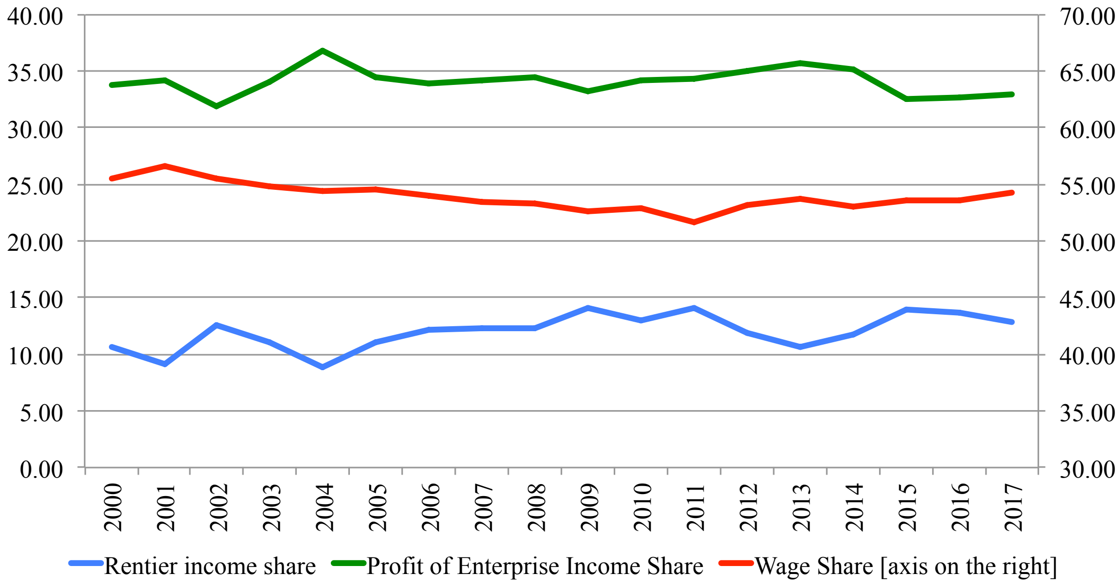
Appendix 1: Figures

FIGURE 1: RENTIER INCOME SHARE AND ITS MAIN COMPONENTS (BRAZIL, 2000-2017)



Source: *Data from the Integrated Economic Accounts of the Brazilian System of National Accounts, Brazilian Institute of Geography and Statistics (CEI/SNA/IBGE). Own elaboration.*

FIGURE 2: FUNCTIONAL INCOME DISTRIBUTION IN BRAZIL (2000-2017)



Source: *Data from the Integrated Economic Accounts of the Brazilian System of National Accounts, Brazilian Institute of Geography and Statistics (CEI/SNA/IBGE). Own elaboration.*

Appendix 2: Tables

TABLE 1: RENTIER INCOME SHARE IN BRAZIL (2000-2017)*					
	Rentier Income Share	Disaggregated Rentier Income Share			
		Financial firms			IIRh
		GOSf	NPIf	Total	
2000	10,62	3,06	0,46	3,52	7,10
2001	9,18	3,47	-1,27	2,20	6,98
2002	12,53	4,68	1,18	5,86	6,67
2003	11,12	4,47	0,27	4,74	6,37
2004	8,82	3,58	0,27	3,85	4,97
2005	11,10	4,24	0,72	4,96	6,14
2006	12,17	4,21	1,77	5,99	6,18
2007	12,35	4,41	1,54	5,96	6,40
2008	12,27	3,74	1,05	4,79	7,48
2009	14,06	3,87	0,65	4,51	9,54
2010	12,98	4,17	-0,07	4,10	8,88
2011	14,08	3,85	0,56	4,41	9,68
2012	11,87	3,71	-0,73	2,97	8,89
2013	10,62	3,32	-0,17	3,16	7,46
2014	11,79	3,84	-0,56	3,28	8,51
2015	13,91	4,34	-0,43	3,92	9,99
2016	13,72	5,06	-0,91	4,16	9,56
2017	12,80	4,78	-0,23	4,55	8,25
Period Averages					
2000-2003	10,86	3,92	0,16	4,08	6,78
2004-2007	11,11	4,11	1,08	5,19	5,92
2008-2011	13,35	3,91	0,55	4,45	8,89
2012-2013	11,24	3,52	-0,45	3,07	8,18
2014-2017	13,05	4,51	-0,53	3,97	9,08

* Shares of the gross national income of the private sector, as defined in this article.

Source: *Data from the Integrated Economic Accounts of the Brazilian System of National Accounts, Brazilian Institute of Geography and Statistics (CEI/SNA/IBGE). Own elaboration.*

Legend: *GOSf (gross operating surplus of the financial firms); NPIf (net property income of the financial firms); IIRh (interest income received by households and non-profit institutions serving households)*

TABLE 2: RETURN ON EQUITY OF THE 5 LARGEST BANKS (2000-2017)						
		2000-2003	2004-2007	2008-2011	2012-2013	2014-2017
Public Banks	Banco do Brasil	6,52	9,46	7,10	5,44	4,95
	Caixa Econômica Federal	8,30	12,66	6,20	4,50	3,75
	Average	7,41	11,06	6,65	4,97	4,35
Private Banks	Bradesco	3,35	9,14	6,88	9,03	12,83
	Itaú	5,86	5,42	5,30	4,53	3,25
	Santander Brasil	7,11	6,66	3,29	1,61	2,32
	Average	5,44	7,07	5,16	5,05	6,13
	Average for the 5 banks	6,23	8,67	5,75	5,02	5,42

Source: *Brazilian Central Bank's IFdata, own elaboration. Return on equity is defined as net profits over equity.*

TABLE 3: INTEREST INCOME FLOWS IN BRAZIL (2000-2017)*						
		2000-2003	2004-2007	2008-2011	2012-2013	2014-2017
Interest income paid	Households	1,78	2,77	6,06	6,05	6,93
	Nonfinancial firms	1,89	0,65	0,31	0,10	0,23
	Government	7,51	6,55	5,81	5,25	6,06
	Total	11,17	9,97	12,18	11,40	13,22
Interest income received	Households	6,78	5,92	8,89	8,18	9,08
	Financial firms	1,97	2,66	2,68	2,47	2,93
	Rest of the world	2,43	1,39	0,61	0,76	1,21
	Total	11,17	9,97	12,18	11,40	13,22

* Values refer to the share of net interest income (received or paid, depending on the institutional sector) on the gross national income of the private sector, as defined in the present article. The exception is the household sector, for which interest income received and interest income paid are reported separately, in an attempt to deal with the phenomenon of financial expropriation. Additionally, "households" refer to households plus non-profit institutions serving households.

Source: *Data from the Integrated Economic Accounts of the Brazilian System of National Accounts, Brazilian Institute of Geography and Statistics (CEI/SNA/IBGE). Own elaboration.*

TABLE 4: FUNCTIONAL INCOME DISTRIBUTION IN BRAZIL AND OTHER SELECTED VARIABLES (2000-2017)*

	Rentier Income Share	Wage Share	Disaggregated wage share			Profit of Enterprise Share	Disaggregated profit of enterprise share			Other selected variables			
			EC	GMIw	-IIPh		GOSp	GMIp	NPIp	Inflation rate	Nominal policy rate	Real policy rate	GDP growth
2000	10,62	55,54	48,56	8,74	-1,76	33,84	36,63	6,59	-9,38	5,97	17,45	10,83	4,39
2001	9,18	56,66	49,83	8,58	-1,75	34,16	36,03	6,20	-8,07	7,67	17,32	8,96	1,39
2002	12,53	55,57	49,07	8,19	-1,69	31,90	36,27	6,05	-10,42	12,53	19,16	5,89	3,05
2003	11,12	54,86	48,31	8,47	-1,91	34,02	36,38	6,38	-8,73	9,30	23,34	12,84	1,14
2004	8,82	54,37	48,43	7,60	-1,66	36,81	38,17	5,99	-7,34	7,60	16,24	8,03	5,76
2005	11,10	54,49	49,52	7,57	-2,60	34,42	36,74	5,61	-7,93	5,69	19,04	12,64	3,20
2006	12,17	53,97	50,03	7,20	-3,27	33,87	36,45	5,25	-7,83	3,14	15,08	11,58	3,96
2007	12,35	53,46	49,98	7,04	-3,56	34,19	36,15	5,09	-7,05	4,46	11,85	7,08	6,07
2008	12,27	53,29	51,14	6,92	-4,77	34,44	36,41	4,92	-6,89	5,90	12,48	6,21	5,09
2009	14,06	52,69	52,68	6,51	-6,50	33,25	35,36	4,37	-6,48	4,31	9,92	5,38	-0,13
2010	12,98	52,85	52,41	6,30	-5,87	34,18	36,62	4,41	-6,85	5,91	9,78	3,66	7,53
2011	14,08	51,65	52,65	6,13	-7,12	34,27	36,38	4,23	-6,35	6,50	11,62	4,80	3,97
2012	11,87	53,12	53,28	6,37	-6,53	35,01	35,53	4,25	-4,76	5,84	8,48	2,50	1,92
2013	10,62	53,71	52,91	6,37	-5,58	35,68	34,92	4,20	-3,44	5,91	8,21	2,17	3,00
2014	11,79	53,09	53,19	6,24	-6,33	35,12	34,93	4,10	-3,91	6,41	10,91	4,23	0,50
2015	13,91	53,54	54,59	6,34	-7,39	32,55	33,19	3,86	-4,50	10,67	13,29	2,36	-3,55
2016	13,72	53,57	54,67	6,46	-7,56	32,71	32,57	3,85	-3,71	6,29	14,03	7,28	-3,28
2017	12,80	54,27	54,36	6,34	-6,43	32,93	32,98	3,84	-3,90	2,95	9,96	6,81	1,32
Period Averages													
2000-2003	10,86	55,66	48,94	8,49	-1,78	33,48	36,33	6,30	-9,15	8,87	19,32	9,63	2,49
2004-2007	11,11	54,07	49,49	7,35	-2,77	34,82	36,88	5,49	-7,54	5,22	15,55	9,83	4,75
2008-2011	13,35	52,62	52,22	6,46	-6,06	34,03	36,19	4,48	-6,64	5,66	10,95	5,01	4,12
2012-2013	11,24	53,41	53,10	6,37	-6,05	35,34	35,22	4,23	-4,10	5,87	8,35	2,34	2,46
2014-2017	13,05	53,62	54,20	6,35	-6,93	33,33	33,42	3,91	-4,00	6,58	12,05	5,17	-1,25

* Shares of the gross national income of the private sector, as defined in this article.

Sources: ***Distribution data*** *from the Integrated Economic Accounts of the Brazilian System of National Accounts, Brazilian Institute of Geography and Statistics (CEI/SNA/IBGE). Own elaboration.* ***Inflation rate*** *refers to IPCA from the Brazilian Institute of Geography and Statistics (IBGE).* ***Nominal policy rate*** *refers to the annual average of the SELIC rate, calculated from montly averages published by the Brazilian Central Bank.* ***Real policy rate*** *is defines as 100*(1+Nominal Rate)/(1+Inflation Rate).* ***GDP growth*** *refers to real annual change of GDP at market prices, from the Brazilian System of National Accounts, Brazilian Institute of Geography and Statistics (SNA/IBGE).*

Legend: *EC (employees' compensation); GMIw (workers' share of gross mixed income); IIPh (interest income paid by households and non-profit institutions serving households); GOSp (economy's gross operating surplus minus financial firms' and governments' gross operating surplus); GMIp (functioning capitalists' share of gross mixed income); NPIp (economy's net property income minus financial firms' net property income minus households' and non-profit institutions serving households' net interest income)*