

Social Mobility and Preferences for Redistribution in Latin America [with Comments]

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## Social Mobility and Preferences for Redistribution in Latin America

**T**his paper has two different but related parts. The first part presents an overview of the empirical evidence on intergenerational mobility levels in Latin America. This overview examines not only the objective indicators of intergenerational transmission, but also subjective opinions about both social mobility and social justice. The question of social mobility is extremely relevant in Latin America given the region's high levels of inequality. If inequality is moderate, investigating its causes may be superfluous, but when inequality is large, identifying its determinants acquires special importance. In unequal societies, more than anywhere else, social policy should be based on a detailed understanding of the root causes of inequality.

Interest in social mobility surpasses technical considerations, however. The second part of this paper reviews the relationship between social mobility and political preferences. The idea that perceptions on social mobility may affect political preferences, in general, and demands for redistribution, in particular, has been repeatedly discussed by social scientists and political commentators alike, starting with Alexis de Tocqueville.<sup>1</sup> Tocqueville's intuition that redistribution is indirectly related to perspectives on mobility has recently been validated, both at the aggregate and the individual level.<sup>2</sup> Most empirical research in this regard,

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1. Tocqueville ([1835] 2003). For more recent discussions, see Lipset (1966, 1992); Piketty (1995); Alesina and Glaeser (2004); Benabou and Tirole (2005).

2. See, for example, Alesina and La Ferrara (2005); Fong (2001); Alesina and Fuchs Schuendeln (2005).

however, focuses on either developed economies or economies in transition. To my knowledge, this is one of the first studies to examine the correlates of political preferences in Latin America at the individual level—or, at the very least, one of the first systematic attempts to empirically investigate the correlation between Latin Americans' demands for redistribution and their mobility experiences.<sup>3</sup>

The results reported in the first part of this article show that intergenerational mobility levels are substantially lower in Latin America than in the United States. This fact is indicated not only by the previously published evidence (based on household surveys that include intergenerational data), but also by unpublished evidence first analyzed here (based on *Latinobarómetro*, an opinion survey carried out annually in seventeen Latin American countries). In urban areas, for example, the mean difference in schooling between children of parents without primary education and children of parents with completed higher education is six years in Latin America and only two years in the United States. Thus, if one compares a Latin American with educated parents with his or her American counterpart, the difference in years of education is minimal, but the difference becomes enormous when one compares the children of noneducated parents from Latin America and the United States.

Residents in Latin America are quite pessimistic when assessing their own mobility experiences. Almost half of those surveyed by the *Latinobarómetro* consider that their current socioeconomic status is the same as that of their parents. Only 20 percent consider their status higher, and the rest consider it lower. Paradoxically, respondents tend to be much more optimistic with respect to their children's possibilities for mobility: 55 percent think that the socioeconomic status of their children will be higher than their own, and only 9 percent believe the opposite. Individuals tend to be pessimistic about fairness in general. More than 70 percent of those surveyed consider that opportunities to overcome poverty are not equal for all and that success depends on connections. Over 60 percent believe poverty is unrelated to effort and ability, and more than 50 percent consider that hard work does not guarantee success. These percentages are much higher than those observed in the United States (where beliefs about equality of opportunity are widespread) and higher than those observed in Europe (where beliefs about equality of opportunity are somewhat pessimistic).<sup>4</sup>

3. Graham and Felton (2005) study the interplay between individual perceptions about social justice and opposition to privatization. Graham (2000) also examines the relationship between perceptions of mobility and support for reforms in Latin America.

4. See Alesina and Angeletos (2005) and Benabou and Tirole (2005) for an explanation of the differences between perceptions in the United States and Europe. Both explanations postulate feedback mechanisms between perceptions and the economic system.

Finally, the results of the second part of this paper show the existence of a systematic correlation between individual characteristics and political preferences. Demand for redistribution, for example, is higher among poor individuals, among those who did not move up the socioeconomic ladder, and among those who believe that poverty is caused by external circumstances. A similar result is obtained with respect to the approval of the market economy and the support for privatizations: the poorer and the more pessimistic regarding social justice are more prone to oppose to the former and to reject the latter. In sum, the results show that political preferences are based not only on selfish considerations about who gets what, but also on personal experiences and opinions regarding distributive justice.

This paper is organized as follows. The next section describes the data used in the study. I then summarize the evidence regarding both mobility levels and perceptions of social justice. A subsequent section reviews the correlates of the demand for redistribution and the approval of market outcomes, and the final section concludes.

## Description of the Data

The main source of data used in this study is a survey of public opinion held yearly in seventeen Latin American countries, under the technical direction of the Latinobarómetro Corporation and the financial sponsorship of the Inter-American Development Bank (IDB). Sample sizes fluctuate between 1,000 and 1,200 individuals per country. Sampling methods may change from one country to another, as the sample design and data collection are contracted out to local firms. Sampling is restricted to the main urban centers, and the questions asked vary from one year to the next. The emphasis of the survey has not changed over time, however, and the questions have always focused on attitudes, preferences, and political actions.<sup>5</sup>

This paper uses three groups of questions. The first group corresponds to the individual's experiences and expectations of social mobility; the second, to perceptions of social justice and fairness; and the third, to political preferences, including redistribution. The paper also uses a specific question, asked in the 2000 survey, regarding the education level of the respondent parents. This question is used to assess the level of the educational mobility

5. The Latinobarómetro uses the World Values Survey, the General Social Survey, and the Gallup surveys on social trends (Gallup Social Audit Survey) as close references.

**TABLE 1. Distribution of Respondents, by Socioeconomic Status**

<i>Quintile</i>	<i>Not enough, great difficulties</i>	<i>Not enough, difficulties</i>	<i>Just enough</i>	<i>Good enough, able to save</i>
First	22.62	46.37	26.57	4.44
Second	15.66	42.69	36.09	5.56
Third	9.39	37.42	43.57	9.62
Fourth	6.29	28.51	51.34	13.86
Fifth	6.01	24.87	48.74	20.38

Source: Latinobarómetro (2000).

in the region.<sup>6</sup> The empirical exercises focus on two survey rounds (1996 and 2000), each of which has the proper combination of questions required to carry out the proposed analysis.

Surveys have an adequate socioeconomic characterization of each individual, but they do not include a precise assessment of household income or consumption. Socioeconomic classification is therefore based on questions about possession of physical assets and dwelling characteristics. I followed a three-step procedure to sort individuals into socioeconomic groups. To start, I used the first principal component to obtain a weighted average of the variables included in the estimation.<sup>7</sup> Individuals were then sorted on the basis of this average. Finally, I used the sorting to classify the surveyed individuals in quintiles of socioeconomic status.

In addition to objective measures, the survey includes questions regarding the subjective well-being of each individual. Table 1 shows variations by quintile of the answers to a question on whether the person's current income is enough to cover basic needs. As shown, those reporting that their income is not sufficient belong mainly to the first quintile, while those reporting greater economic ease belong mainly to the last quintile. Most respondents, however, seem reluctant to judge their situation as good, regardless of their socioeconomic position.

Table 2 shows the relationship between the educational attainment of parents and children. The results indicate that a large number of children surpass the

6. Text of the main questions used is presented in the appendix.

7. The principal components methodology is frequently used to estimate an individual's socioeconomic level in the absence of reliable data on income. Filmer and Pritchett (2001) argue that household assets and dwelling characteristics are observed with greater precision than consumption, and that socioeconomic level indicators based on these variables are less sensitive to temporary fluctuations of the income level.

**TABLE 2. Transition Matrix of Education Attainments**

<i>Parents' level of education</i>	<i>Children's level of education</i>			
	<i>Primary or less</i>	<i>Secondary or less</i>	<i>Technical or higher (incomplete)</i>	<i>Technical or higher (complete)</i>
Primary or less	32.3	40.2	22.9	4.7
Secondary or less	4.7	42.7	43.2	9.4
Technical or higher (incomplete)	1.9	16.6	64.2	17.4
Technical or higher (complete)	2.0	11.6	57.4	29.1

Source: Latinobarómetro (2000).

education level of their parents. This fact is consistent with the advance of educational indicators in the region, and it does not necessarily imply the existence of relative mobility, defined as the change in relative positions of a dynasty in the movement from one generation to the next.<sup>8</sup>

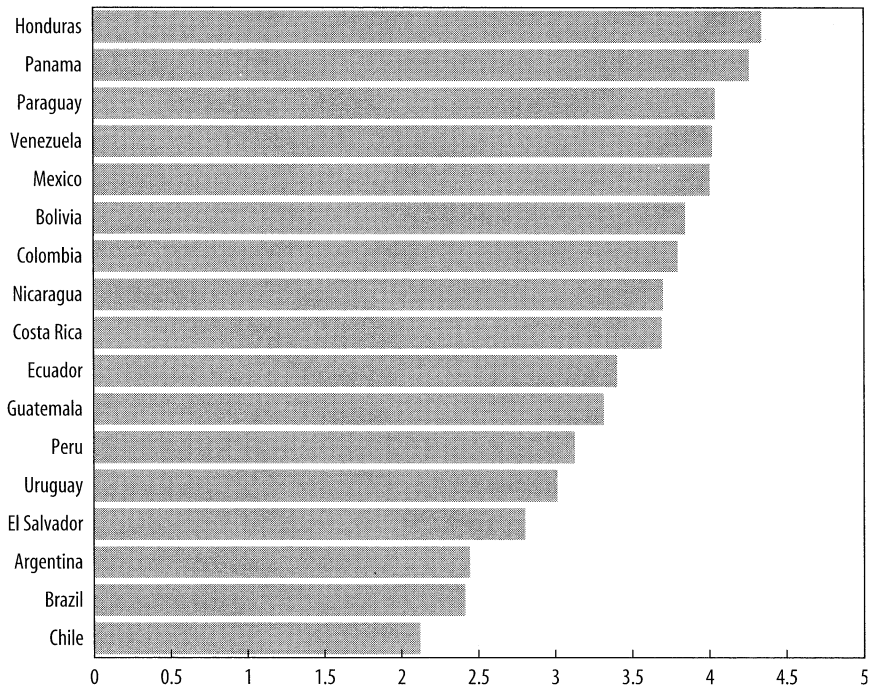
Figure 1 shows the difference in the mean years of schooling between parents and children for the seventeen countries in the sample. Mean schooling is about 9.9 years for individual respondents and about 6.5 years for their parents. All countries boast a positive and substantial difference between the schooling of respondents and that of their parents. The largest difference is observed in Honduras (4.3 years) and the lowest in Chile (2.1 years). Overall, the difference is higher in countries with low attainment rates, which suggests some convergence in educational outcomes within the Latin American region.

### **Mobility and Social Equality: Indicators and Perceptions**

Countless academic studies document the high levels of inequality in Latin America, but the reiteration of this fact has not been accompanied by systematic research on the causes of inequality. For the region as a whole, little is known about the extent to which inequality is explained by differences in opportunities or by unequal efforts and personal skills. Empirical studies that investigate the extent to which inequality in Latin America is induced by external circumstances are few and scattered.

This section presents various indicators on the distribution of educational opportunities and the levels of intergenerational mobility in Latin America.

8. See Behrman, Gaviria, and Székely (2001) for a systematic analysis of the correlation between educational advance and relative mobility in Latin America.

**FIGURE 1. Difference in Years of Schooling of Parents and Children**

Source: Latinobarómetro (2000).

I use three types of indicators. The first is based on the correlation of the schooling of respondents and that of their parents. The second is based on respondents' perceptions of their own socioeconomic status, the observed status of their parents, and the expected status of their children. The third indicator uses a series of direct questions about social justice and the distribution of opportunities. Perceptions about social mobility are relevant in their own right because, as shown later in the paper, they have a direct effect on the demand for redistribution, in particular, and political preferences, in general.

### *Educational Mobility in Latin America*

The lack of longitudinal surveys containing information on the socioeconomic outcomes of two generations of the same family has somewhat hampered the study of intergenerational mobility in the region. Retrospective information on parental schooling can partially circumvent the nonexistence of longitudinal

**TABLE 3. Children's Schooling as a Function of Parents' Schooling<sup>a</sup>**

<i>Independent variable</i>	(1)	(2)	(3)	(4)
Schooling	0.4424 (0.0054)	0.7059 (0.0187)	0.7190 (0.0187)	0.6327 (0.0189)
Schooling squared		-0.0180 (0.0011)	-0.0196 (0.0011)	-0.0163 (0.0011)
<i>Summary statistic</i>				
R <sup>2</sup>	0.2840	0.2950	0.3151	0.3424
Country fixed effects	No	No	Yes	Yes
Other controls	No	No	No	Yes
No. observations	16,539	16,539	16,539	16,537

Source: Author's calculations based on Latinobarómetro (2000).

a. Standard errors are in parentheses.

surveys. As mentioned in the previous section, the Latinobarómetro 2000 survey included a question on the schooling of the father of each person surveyed. This information can serve as the basis for calculating an indicator of the level of educational mobility in the region, which, in turn, can be compared to similar indicators that are available for other countries. This comparison leads to some general conclusions regarding the distribution of opportunities in Latin America vis-à-vis other regions of the world.

I used the following equation to examine the relationship between the level of schooling of children and their parents:

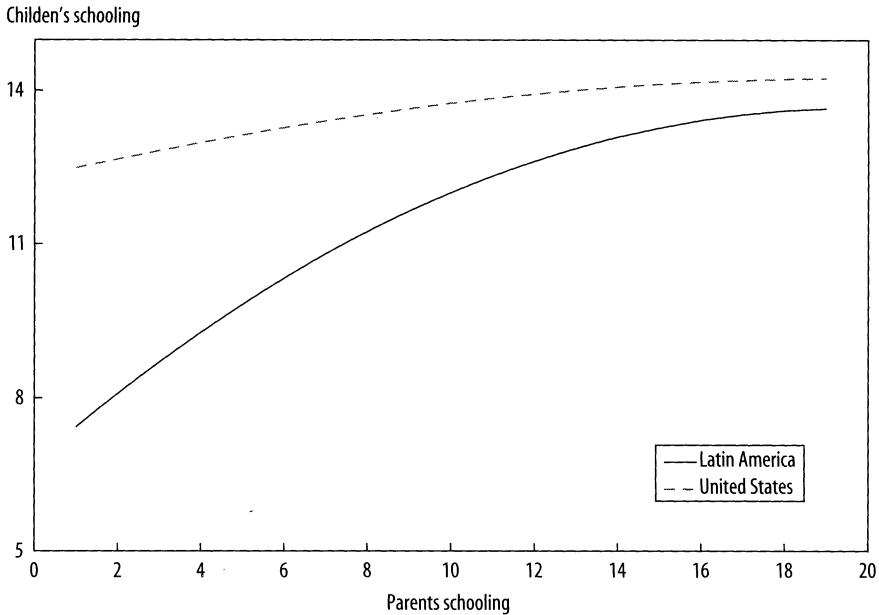
$$(1) \quad S_{i,t} = \alpha + \beta_1 S_{i,t-1} + \beta_2 S_{i,t-1}^2 + w_{i,t},$$

where each period represents a generation,  $i$  represents a family dynasty, and  $S$  represents the level of schooling. A close relationship between the schooling of parents and children implies that the country or region in question has a low level of mobility. Some of the equations estimated included fixed effects by country, as well as controls for some basic individual characteristics, such as gender, age, and marital status.

Table 3 shows the estimated coefficients. If a quadratic term is not included, the estimated value of  $\beta_1$  is approximately 0.44, which is substantially higher than the values observed in the United States and other developed countries.<sup>9</sup> The estimated value of  $\beta_2$  is negative, indicating a concave relationship between the

9. Mulligan (1997, p. 200) summarizes the cross-country evidence on intergenerational educational mobility. Available estimates are approximately 0.3 for the United States and 0.2 for Germany and Malaysia.



**FIGURE 2. Correlation between Schooling of Parents and Children**

Source: Latinobarómetro (2000); General Social Survey (1990–97).

schooling of parents and children. Estimated values do not change substantially when fixed effects are added, and they only change slightly when the estimation controls for basic individual characteristics. Overall, the results show a low level of educational mobility in Latin America, at least in relative terms.

Figure 2 illustrates the relationship between the schooling of parents and children in Latin America and the United States.<sup>10</sup> The curves are based on the results of table 3.<sup>11</sup> Differences are significant for children of uneducated parents (five years), but exiguous for children of parents who graduated from college (six months). This result indicates, among other things, that educational opportunities are much more concentrated in Latin American countries than in the United States. On average, the educational achievement of an individual

10. The U.S. data are from the General Social Survey (GSS) for the 1990–97 period. Only urban data were considered. For a description of data, see Behrman, Gaviria, and Székely (2001).

11. It is reasonable to assume that the quadratic specification employed is not driven by the bounded nature of the variables. If this were the case, one would not expect a similar concavity for both Latin America and the United States, where educational attainment at the upper bound is more common.

in Latin America is strongly linked to those of his or her father. This is not the case in the United States.

Figure 3 shows the same correlation as the previous graph, but for the tenth, fiftieth, and ninetieth percentiles instead of the mean.<sup>12</sup> The figures show that the intergenerational transmission profiles by percentile are different for Latin America and the United States. In Latin America, profiles are concave throughout the distribution. The opposite occurs in the United States, where profiles are convex for higher percentiles. In Latin America, persistence is greater (that is, mobility is lower) among the less educated than among the more educated. In the United States, on the other hand, persistence appears to be greater among the more educated. Interestingly, persistence among the more educated follows a convex pattern in the United States: schooling grows incrementally with parental schooling.

Figure 4 illustrates the relationship between the schooling of parents and children within Latin America. For this exercise, I divided the region into three groups representing three levels of development.<sup>13</sup> The figure reveals little variation among the three groups. The three curves are almost identical, although the curve for group 1 starts lower and ends higher than for the other groups.

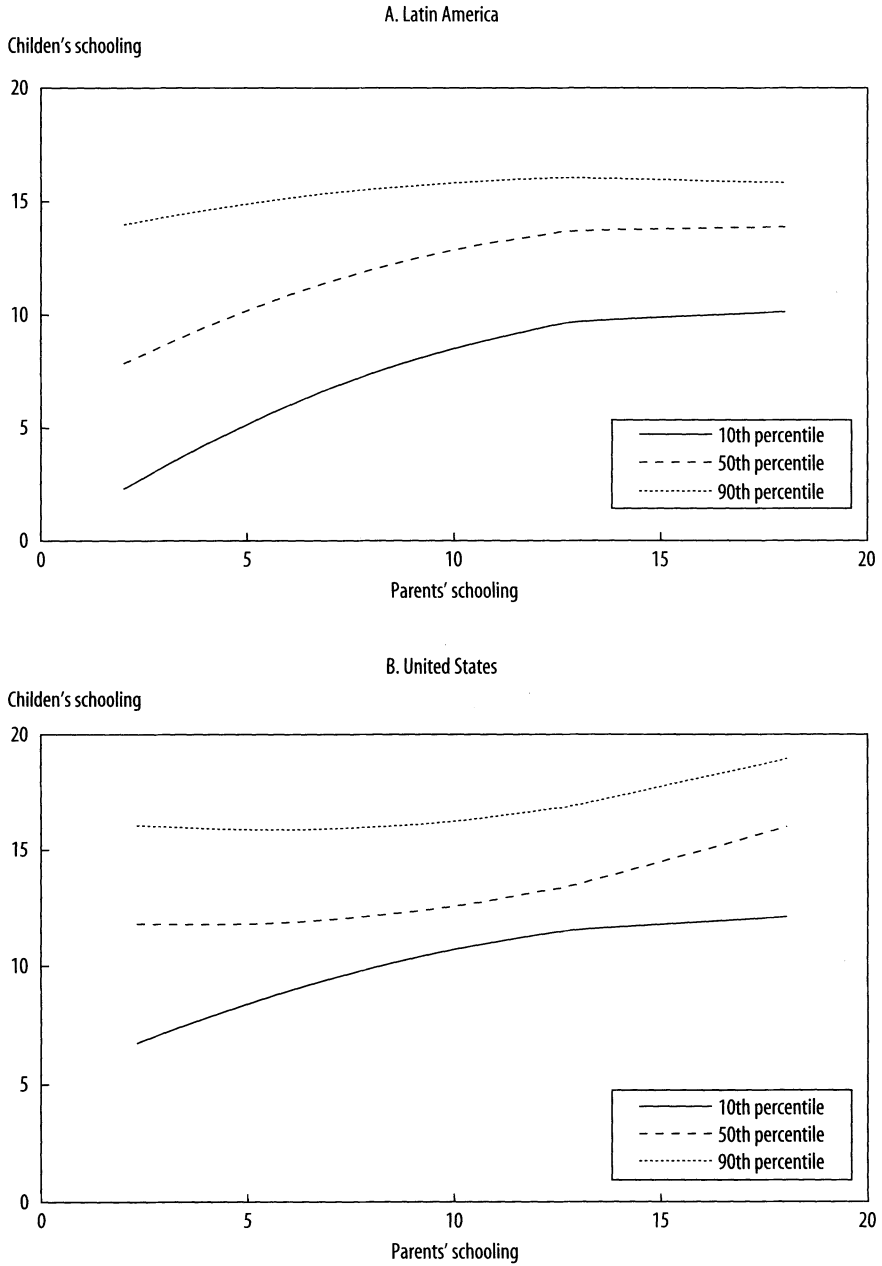
### *Other Sources of Evidence*

The available evidence on cross-country differences in the levels of intergenerational mobility confirms the above results. Table 4 summarizes the results of some studies that directly compare the levels of mobility in Latin America and other regions, including both developed and developing countries. The studies listed are just a sample of a burgeoning literature. The first set of studies mentioned use retrospective questions about parental education (or, alternatively, questions about the education of children residing with their parents). These studies show that intergenerational connections are much stronger in Latin America than in the United States. The second set of studies compares differences in social outcomes (such as child mortality, immunizations, and

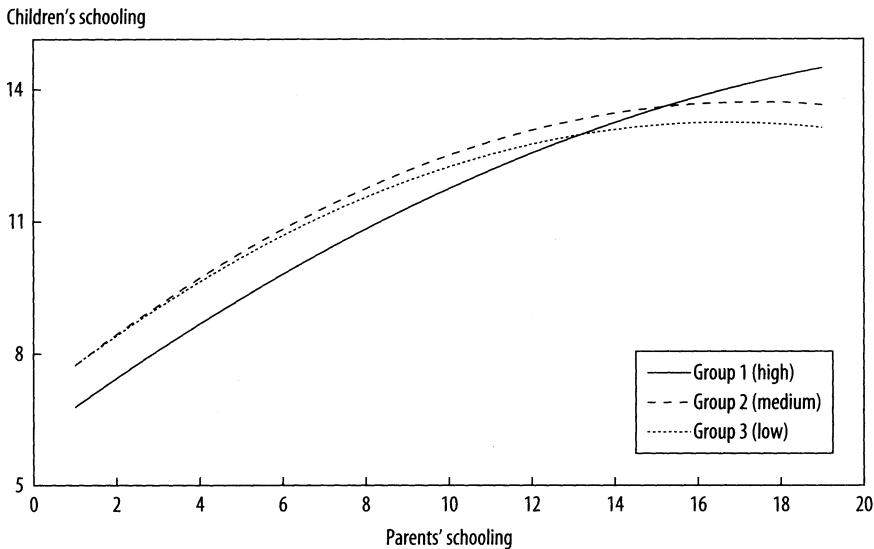
12. I estimated quantile regressions in each case. Deaton (1997, p. 80) discusses the usefulness of this type of analysis.

13. Specifically, I classified the countries according to their 2006 purchasing power parity (PPP) per capita GDP, defining group 1 (high) as a per capita GDP of more than US\$10,000, group 2 (medium) as between US\$5,000 and US\$10,000, and group 3 (low) as less than US\$5,000. According to this rubric, the countries in group 1 are Argentina, Costa Rica, Chile, Mexico, and Uruguay; group 2 includes Brazil, Colombia, Panama, Peru, and Venezuela; and group 3 contains Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Paraguay.

**FIGURE 3. Correlation between Schooling of Parents and Children: Tenth, Fiftieth, and Ninetieth Percentiles**



Source: Latinobarómetro (2000); General Social Survey (1990–97).

**FIGURE 4. Intra-regional Correlation between Schooling of Parents and Children, by Group<sup>a</sup>**

Source: Latinobarómetro (2000).

a. Countries in the region are grouped according to their level of development, measured as 2006 purchasing power parity (PPP) per capita GDP. Group 1 (more than US\$10,000) includes Argentina, Chile, Costa Rica, Mexico, and Uruguay. Group 2 (US\$5,000 to US\$10,000) includes Brazil, Colombia, Panama, Peru, and Venezuela. Group 3 (less than US\$5,000) includes Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Paraguay.

educational attainment) by socioeconomic status in Latin American countries and other developing countries. The evidence indicates that the differences are somewhat smaller in Latin America than in Africa and Southeast Asia.

For the specific case of Brazil, Bourguignon, Ferreira, and Menéndez show that share of the variance of log earnings explained by circumstances (namely, parental schooling and occupation, race, and region) appears to be much greater in Brazil than in the United States.<sup>14</sup> Andrade and others use instrumental variables to estimate parental earnings in the absence of direct data.<sup>15</sup> They then use these estimates to calculate the intergenerational relation in earnings between children and their parents. They show that, in Brazil, intergenerational links are stronger in the superior quintiles than in the inferior ones, whereas the opposite is true in Germany and the United States. They argue that these results, taken together, imply that intergenerational mobility has been hampered by borrowing constraints in Brazil, but not in Germany and the United States.

14. Bourguignon, Ferreira, and Menéndez (2003).

15. Andrade and others (2004).

**TABLE 4. Studies Comparing Mobility in Latin America with Mobility in Other Countries**

<i>Study</i>	<i>Indicator</i>	<i>Countries</i>	<i>Conclusions</i>
Behrman, Gaviria, and Székely (2001)	Schooling correlation between parents and children	Brazil, Colombia, Mexico, Peru, and the United States	High correlation in Mexico and Peru and much higher in Brazil and Colombia
Dahan and Gaviria (2001)	Correlation of schooling gaps between siblings residing with their parents	Sixteen Latin American countries and the United States	Correlation is between 1.8 and 3.0 times greater in Latin American countries than in the United States
Filmer and Pritchett (1998); Ferreira and Walton (2006)	Differences in social outcomes by parental wealth and parental schooling	Large sample of developing countries	Differences are relatively small in Latin America for child mortality, immunizations, and schooling
Bourguignon, Ferreira, and Menéndez (2003)	Share of the variance of log earnings explained by circumstances (parental schooling and occupation, race and region)	Brazil and the United States	Share in Brazil is much higher than that in the United States
Andrade and others (2004)	Convexity of the relationship between parents' and children's wages	Brazil, Germany, and the United States	The intergenerational persistence of wages is greater for the higher quintiles in Brazil, suggesting the existence of borrowing constraints

### *Perceptions of Mobility and Social Justice*

The evidence presented so far, based on intergenerational correlations, indicates that educational opportunities are unequally distributed in Latin America. In what follows, I compare objective indicators with subjective measures, based on the opinions of Latinobarómetro respondents regarding the distribution of opportunities and the extent of social justice, in general. As stated earlier, these opinions are important regardless of whether they are right or wrong, since they have a measurable impact on political preferences.

The Latinobarómetro survey has frequently included several questions about perceptions of social mobility, as well as about the fairness of the prevailing socioeconomic system. In particular, the 2000 survey included three questions about mobility experiences (that is, the respondents' position relative to their parents) and mobility perspectives (that is, the future position of the respondents' children). The first question asked the respondents to place themselves on a

socioeconomic scale from one to ten, with one being the lowest level and ten the highest. The second question asked the respondents to do the same for their parents (retrospective look), and the third question did the same for the respondents' children (prospective look). The average position of those surveyed is 4.4. The average for the parents (according to their children) was 4.7 and for the children (according to their parents) 5.5.

The key issue, however, is related not to the average levels, but to the observed changes with respect to one's parents and the expected changes of one's children with respect to oneself. To tackle this issue, I calculated the differences in the reported values as follows: past mobility equals personal response minus parents' response; future mobility equals children's response minus personal response. Such variables provide a subjective, but illustrative, idea of the past and future intergenerational mobility for each individual.

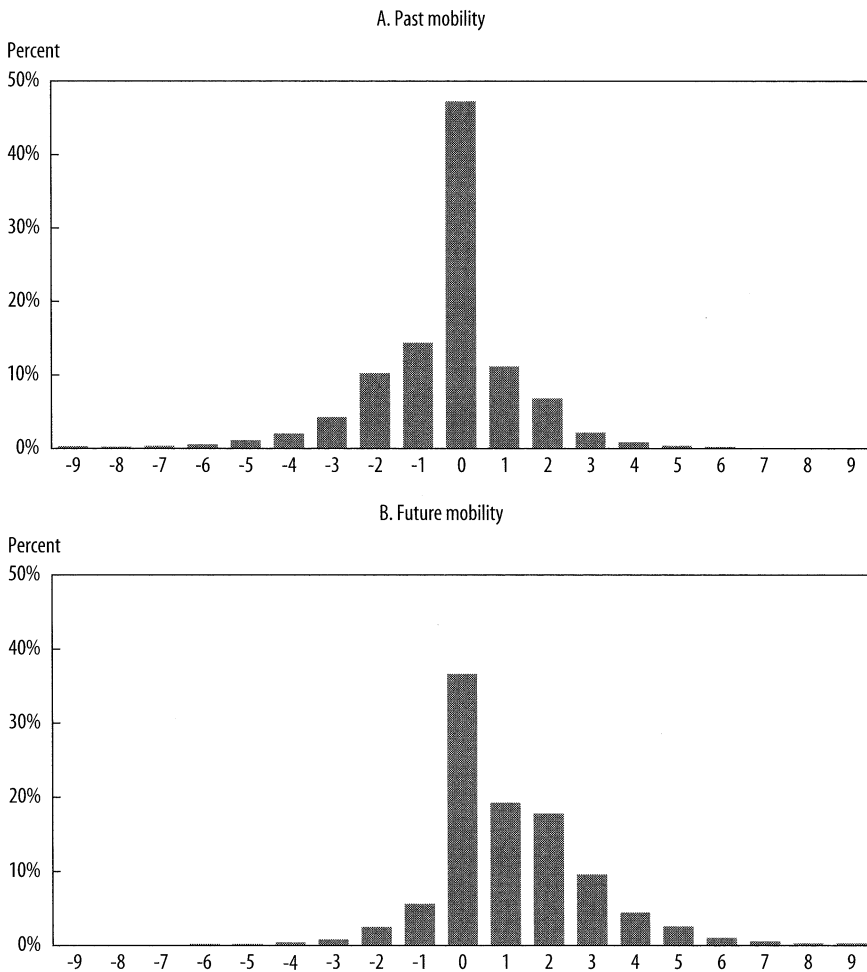
Figure 5 presents the results. Approximately half of the individuals surveyed (47 percent) place their parents and themselves in the same position (that is, past mobility equals zero). Only 20 percent of the respondents feel that they have been able to overtake their parent's position, while 33 percent perceive a backward movement. Overall, the results imply a pessimistic outlook on past mobility experiences.<sup>16</sup> In contrast, expectations of future mobility are quite optimistic: 55 percent of individuals surveyed expect their children to have a higher socioeconomic status than themselves, while only 9 percent expect a lower level for their children. In general, Latin Americans do not consider that their life histories have been a good example of mobility, but they do hope for a more favorable situation for their children.<sup>17</sup>

Figure 6 provides an intraregional view of past and future mobility experiences. These mobility experiences reflect the same general pattern described above: people are pessimistic about their past and optimistic about their future. Still, the figure presents some noticeable differences. Regarding past mobility, the peak for "no change" is lower for group 1 (high) than for groups 2 (medium) and 3 (low). Although most people report that they have moved backward with respect to their parents, individuals in group 1 report more forward movements than those in groups 2 and 3. With respect to future mobility, most people are optimistic, yet groups 2 and 3 have higher no change peaks than

16. Past mobility perceptions are positively correlated with educational mobility realities (measured as the difference between the years of schooling of an individual and his or her parents). The correlation is small (0.04), but statistically significant at the 5 percent level.

17. Optimism regarding future mobility seems to be, as they say, a triumph of hope over experience.

**FIGURE 5. Perceptions of Past and Future Mobility**

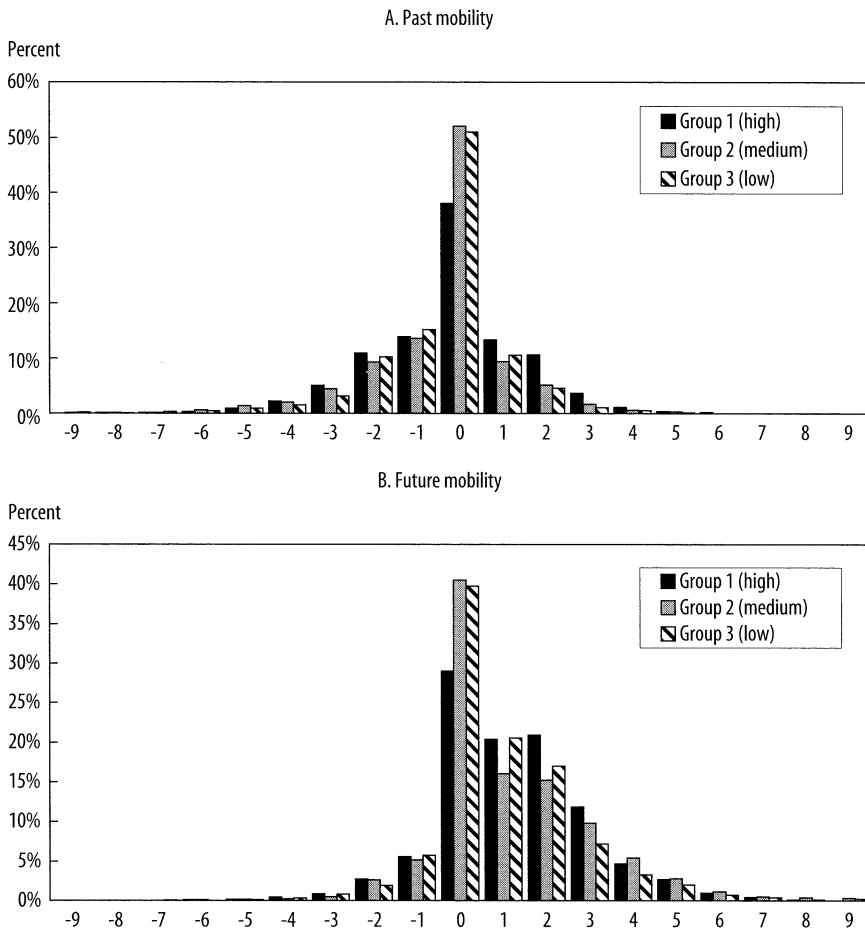


Source: Latinobarómetro (2000).

group 1. Additionally, individuals in group 1 are more optimistic about the future than those in groups 2 and 3.

The experiences of past mobility and expectations for future mobility are very independent. Correlation between these two variables is slight and negative, on average.<sup>18</sup> The idea of reversion to the mean appears to be widespread in the

18. The negative correlation of past and future mobility is significant and substantial (greater than 0.3) for Mexico and Venezuela.

**FIGURE 6. Intra-regional Perceptions of Past and Future Mobility, by Group<sup>a</sup>**

Source: Latinobarómetro (2000).

a. Countries in the region are grouped according to their level of development, measured as 2006 purchasing power parity (PPP) per capita GDP. Group 1 (more than US\$10,000) includes Argentina, Chile, Costa Rica, Mexico, and Uruguay. Group 2 (US\$5,000 to US\$10,000) includes Brazil, Colombia, Panama, Peru, and Venezuela. Group 3 (less than US\$5,000) includes Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Paraguay.

minds of Latin Americans with the most abrupt histories of mobility, either upward or downward. Many seem to suspect that a substantial movement in the socioeconomic scale will be partially corrected during the following generation.

In general terms, the previous results are consistent with the answers to some direct questions about mobility perceptions included in the 1996 round of



**TABLE 5. Perceptions of Social Justice**

Percent

Survey question	Survey year			
	2002	2000	1998	1996
Opportunities to escape poverty				
All have equal opportunities	...	25.9	...	...
All do not have equal opportunities	...	74.1	...	...
Causes of poverty				
Lack of effort		36.5		
External circumstances		63.6		
Success depends on connections				
Yes	68.62	71.5	71.3	76.4
No	31.38	28.5	28.7	23.6
Hard work does not guarantee success				
Yes	58.11	53.8	54.9	55.6
No	41.89	46.2	45.1	44.4

Source: Latinobarómetro (various years).

... Not applicable.

the Latinobarómetro survey. When respondents were asked whether they face better opportunities to improve their lives than their parents did a generation before, 55 percent answered that they face better or much better opportunities, 18 percent stated that the opportunities were the same, and the rest said that they were worse or much worse. Individuals were also asked a similar question about future opportunities for their children. In this case, 58 percent felt the opportunities would be much better or better, 18 percent thought they would be the same, and 24 percent indicated they would be worse or much worse.

The 2000 round of Latinobarómetro included several direct questions about social justice (specifically, about the distribution of opportunities and the root causes of poverty). Respondents were asked whether all fellow citizens had the same opportunities to stop being poor and whether poverty is due to lack of effort or to circumstances beyond effort and ability. As shown in table 5, 74 percent stated that opportunities are not distributed equally, and 64 percent considered that poverty is caused by circumstances beyond individual skills and personal efforts.

Three Latinobarómetro surveys further asked whether connections are key for socioeconomic success and whether hard work guarantees being successful. Table 5 presents the results for 1998, 2000, and 2002. Over 70 percent agree that connections are important and more than half believe that hard work guarantees success. Percentages are stable throughout. Inside the Latin American region,

**TABLE 6. Intra-regional Perceptions of Social Justice<sup>a</sup>**

Percent			
<i>Survey question</i>	<i>Group 1</i>	<i>Group 2</i>	<i>Group 3</i>
Opportunities to escape poverty			
All have equal opportunities	23.9	28.0	25.9
All do not have equal opportunities	76.1	72.0	74.1
Causes of poverty			
Lack of effort	34.1	36.1	38.6
External circumstances	65.9	63.9	61.4
Success depends on connections			
Yes	69.3	73.0	72.2
No	30.7	27.0	27.8
Hard work does not guarantee success			
Yes	52.2	53.3	55.5
No	47.8	46.7	44.5

Source: Latinobarómetro (2000).

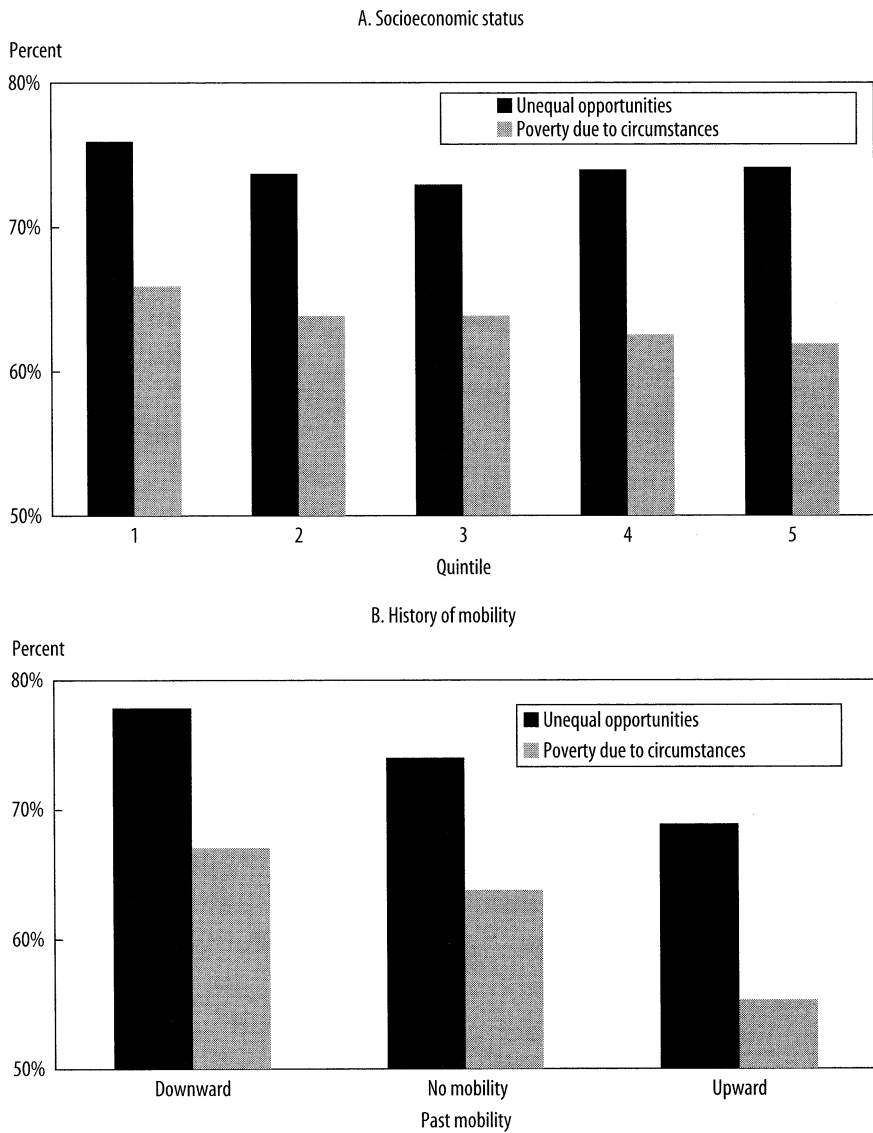
a. Countries in the region are grouped according to their level of development, measured as 2006 purchasing power parity (PPP) per capita GDP. Group 1 (more than US\$10,000) includes Argentina, Chile, Costa Rica, Mexico, and Uruguay. Group 2 (US\$5,000 to US\$10,000) includes Brazil, Colombia, Panama, Peru, and Venezuela. Group 3 (less than US\$5,000) includes Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, and Paraguay.

results are almost identical across groups (table 6). Overall, the results indicate that Latin Americans tend to be pessimistic about social justice and about the relative importance of effort and ability for reaching socioeconomic success.

Figure 7 illustrates how opinions vary according to the socioeconomic status and history of the individuals surveyed. The percentage of individuals who do not believe in equality of opportunity, as well as the percentage who consider that poverty is caused by external circumstances, does not change significantly from one socioeconomic quintile to another. In other words, opinions about the distribution of opportunities (and about social justice, in general) do not seem to depend on the relative wealth of individuals. Instead, these opinions seem to be related to the individual's (self-reported or perceived) history of mobility. The figure also quantifies these opinions for individuals whose socioeconomic level decreased, remained the same, and increased relative to the perceived level of their parents.<sup>19</sup> The fraction of those who do not believe in equal opportunities and of those who consider that poverty is a matter of

19. Groups were classified according to the past mobility indicator described above. The first group (downward) includes individuals surveyed with values between -9 and -2. The second group (no mobility) includes those between -1 and 1, and the third group (upward) includes values between 2 and 9.

**FIGURE 7. Perceptions of Social Justice, by Socioeconomic Status and History of Mobility**



Source: Latinobarómetro (2000).

external circumstances is substantially smaller among individuals who, according to their own views, were able to surpass their parents' socioeconomic status.<sup>20</sup>

A similar analysis of the other two variables in question—namely, the importance of connections and the effectiveness of hard work—generates less interesting results. Neither variable changes substantially along the dimensions considered: socioeconomic quintiles and history of mobility. The fraction of individuals stating that connections are important decreases slightly as one moves from lower to higher socioeconomic quintiles, but the overriding fact of this analysis is the absence of substantial differences of opinion by either wealth or mobility.

To put the above findings into an international perspective, I compared the results with the World Values Survey (WVS). The WVS is one of the most comprehensive international surveys tracking political and sociocultural change. It covers a wide range of topics, including questions on social, cultural, political, religious, and moral views. The WVS first appeared in 1981 as the European Values Study (EVS), and it was gradually extended to encompass countries worldwide. Thus the WVS included twenty-two countries in 1990, forty-two in 1995, fifty-four in 2000, and sixty-four in 2005. A minimum of 1,000 people were interviewed per country. The survey is administered locally, so sampling methods vary across nations. For this paper, I extracted specific questions regarding socioeconomic opportunities and perceptions that resemble the questions used from the Latinobarómetro survey.

Given the differences in the questions and coverage of the WVS, the purpose of this exercise is not to conduct an external validation of the Latinobarómetro data, but rather to provide an international context for the regional results. Nevertheless, the small differences observed among the various Latin American groups indicate that the Latin American countries in the WVS constitute a representative sample of the region.<sup>21</sup> In any case, the results are revealing and mostly supportive of the evidence presented in the paper so far. The three issues analyzed are people's attitudes toward opportunities to escape poverty, the causes of poverty, and whether hard work guarantees success (table 7).

20. This association between individual history of mobility and political preference is consistent with Piketty (1995), who demonstrates that this sort of relationship is obtained if the importance of personal effort over socioeconomic success is unknown and if individuals use their personal histories to make the corresponding inferences.

21. The Latin American countries covered in the sample are Argentina, Brazil, Chile, Colombia, Dominican Republic, El Salvador, Mexico, Peru, Puerto Rico, Uruguay, and Venezuela.

**TABLE 7. International Perceptions of Social Justice, 1994–99**

Percent

<i>Survey question</i>	<i>Latin America</i>	<i>Eastern Europe</i>	<i>OECD countries</i>	<i>Asia</i>	<i>United States</i>	<i>Africa</i>	<i>Total</i>
Opportunities to escape poverty							
People have opportunities	41.7	25.7	44.7	49.9	27.3	40.0	38.2
People have very few opportunities	58.3	74.3	55.3	50.1	72.7	60.0	61.8
Causes of poverty							
Lack of effort	31.2	21.7	33.7	34.8	60.0	28.1	34.9
External circumstances	66.8	78.3	66.3	64.7	40.0	71.3	64.6
Success depends on connections							
Yes	61.5	65.0	65.2	73.2	80.5	82.1	71.2
No	38.5	35.0	34.8	26.8	19.5	17.9	28.8
Hard work does not guarantee success							
Yes							
No							

Source: World Values Survey, various years.

OECD = Organization for Economic Cooperation and Development.

With respect to the chances for getting out of poverty, respondents from Latin America are less optimistic than people from Asia and member countries of the Organization for Economic Cooperation and Development (OECD), but more optimistic than respondents from Africa, eastern Europe, and the United States. With regard to the causes of poverty, the United States registers the strongest belief in lack of effort, followed by Asia, the OECD countries, Latin America, Africa, and eastern Europe. Finally, when asked about whether hard work guarantees success, Latin Americans are the most pessimistic of all the groups. In sum, at the international level, Latin Americans are either weakly optimistic or pessimistic in their social justice outlook, as measured by their perceptions of the opportunities to escape poverty, the causes of poverty, and the relationship between hard work and success.

### **Political Preferences, Social Mobility, and Equality**

This section describes the evidence on the demand for redistribution and other political preferences in Latin America and investigates its individual-level correlates. The intention is to empirically examine, for the case of Latin America, a model of political preferences based on two main premises: people expect individual effort and skills to be rewarded by society, but they

also expect the State to intervene to correct outcomes originating in circumstances that have nothing to do with personal effort and skills. Concisely, demand for redistribution—or acceptance of market outcomes, for that matter—should be higher (lower), the more (less) pessimistic are people’s perceptions about the extent of equality of opportunity, social injustice, and social mobility.

The analysis of this section can be framed in the broader discussion about the existence of social preferences. In spite of the initial reticence of many economists, the profession has gradually accepted the existence of social preferences, partly as a consequence of profuse experimental evidence. This evidence shows that individuals are often willing to assume a pecuniary cost to punish those who violate accepted rules about what is considered fair in a determined exchange.<sup>22</sup> Some are even willing to pay to punish those who evade the responsibility of punishing. In general, experimental evidence indicates that social preferences go further than a simple taste for equality (to use Tocqueville’s expression), and they reflect a natural and a cultural inclination toward adequate rewards for personal effort and the reasonable correction of accidental circumstances (such as those related to family origin).

Empirical evidence suggests that social preferences affect political preferences in a foreseeable manner. Studies on the United States and European countries show that individuals who consider that the social order is unfair (that is, those who believe that hard work is not worth it, that connections are fundamental, and that opportunities are not properly distributed) are more likely to support redistribution and question market outcomes.<sup>23</sup> The following analysis examines the empirical validity of these results for Latin America.

The analysis is based on the same data from the *Latinobarómetro* survey described earlier. I use the 1996 and 2000 rounds of the survey, both of which included questions not only about social mobility and social justice (as described earlier), but also about redistribution and other political preferences. In 1996, respondents were directly asked whether they believe that reducing the differences between the rich and the poor is one of the main responsibilities of the state. Of the individuals surveyed, 73 percent answered “of course it is,” 17 percent said “maybe yes,” 6 percent responded “maybe not,” and 4 percent answered “of course not.” To facilitate the interpretation of the econometric

22. See, for example, Camerer (2003, chap. 2) for a summary of the evidence on the existence of social preferences in the context of the so-called ultimatum game. Camerer emphasizes the role of individual characteristics in determining social preferences.

23. See Fong (2001) and Alesina and La Ferrara (2005) for the case of the United States and Corneo and Grüner (2002) for Europe.

exercises, I classified the answers into two groups: all those who answered “of course it is” and the other three responses combined.<sup>24</sup>

The 2000 survey asked whether respondents considered the market economy to be the most convenient for their country: 17 percent declared themselves to be very much in agreement, 40 percent in agreement, 29 percent in disagreement, and 14 percent very much in disagreement. In the same year, respondents were also asked whether privatization had been beneficial for the country. The response pattern was similar: 11 percent were very much in agreement, 27 percent agreed, 40 percent disagreed, and 22 percent were very much in disagreement. As before, I dichotomized the answers to facilitate the analysis, this time grouping the two positive answers (in agreement), on the one hand, and the two second answers (in disagreement), on the other. Finally, the 2000 survey asked the participants to place themselves on a scale from one to ten, with one being the extreme left and ten the extreme right. For the purposes of this analysis, I defined as leftist all individuals who answered one, two, or three (approximately 18 percent of the total).<sup>25</sup>

I estimated the following econometric model to study how political preferences (such as preferences for redistribution, attitudes toward market outcomes, and attitudes toward privatizations) relate to socioeconomic characteristics of individuals, their history of mobility, and their perceptions of social justice:

$$(2) \quad Y_i^* = \mathbf{X}_i\beta + \varepsilon_i,$$

where  $Y^*$  is a latent variable that represents the unobserved level of support for redistribution,  $Y$  is an observed variable that equals one if  $Y^* > 0$  and zero if  $Y^* < 0$ , and  $\mathbf{X}$  is a vector with independent variables. A probit was used for the estimation, but the results do not change if alternative estimation methods are used.

Independent variables fall into four groups. The first group includes some general socioeconomic characteristics, such as age, gender, marital status, and a dummy variable for whether the person holds a regular job. Each of the three remaining groups represents a different theoretical paradigm emphasizing certain determinants of preferences for redistribution (in particular) and

24. I use dichotomization to facilitate the interpretation of results; this choice does not affect any of the conclusions.

25. The results are not dependent on this arbitrary decision. They do not change substantially if the threshold point between leftist and not leftist is defined one level above or below the chosen threshold.

opinions regarding the appropriate role of the state (in general). Specifically, the second group contains variables related to the individual's socioeconomic level. These variables are of two types. The first is subjective and is based on a direct question about the sufficiency (or insufficiency) of the household's income; the second type is objective and is based on the quintiles of socioeconomic status described earlier. Together, these variables attempt to evaluate the so-called Meltzer-Richard paradigm, according to which the demand for redistribution reflects a balance between the incentive problems imposed by higher taxes and the aspirations of the middle and lower classes.<sup>26</sup> According to Meltzer and Richard, selfish considerations (that is, who benefits from greater redistribution and who does not) affect the demand for redistribution, but these considerations are not absolutely blind in that they take into account the adverse effect of excessive redistribution on economic efficiency. Since redistribution negatively affects individuals with a higher socioeconomic level (whether perceived or real), the rich will be more likely to oppose it than the middle class or poor. Likewise, wealthy individuals will be more likely to support market outcomes, at least under the premise that all state interventions involve some form of redistribution.

The third group of variables includes perceptions about past mobility and expectations about future mobility. Optimism about past and future mobility should lower the demand for redistribution because individuals with high expectations of upward mobility—even if currently located at the lower end of the distribution—anticipate the losses (for themselves and for their descendants) of any future attempt to transfer income from the wealthy to the poor. Benabou and Ok emphasize the empirical relevance of this idea, known as the POUM hypothesis (that is, prospect of upward mobility).<sup>27</sup> According to these authors, only a quarter of the households in the United States have a real income that is above the average income, but two-thirds have an expected income above the average. Optimism about mobility may reduce the demand for redistribution through a different channel. The higher the mobility expectations, the more optimistic the individual's assessment of social justice, and thus the lower the individual demand for redistribution.

The fourth and last group of variables comprises opinions about social justice and the fairness of market outcomes. Does the respondent think that connections are fundamental? That hard work does not pay? That opportunities are poorly distributed? Or that poverty is caused by external circumstances?

26. Meltzer and Richard (1981).

27. Benabou and Ok (2001).



Alesina and Angeletos argue that social preferences, in general, and the taste for fairness, in particular, affect the demand for redistribution.<sup>28</sup> Overall, if individuals perceive an unfair order in which economic results do not correspond to the effort and ability of each individual, they will be more prone to support redistribution and reject market outcomes.

In conclusion, the previous discussion suggests that the poor, those who have low expectations of mobility, and those who believe that market outcomes are unfair will demand a high level of redistribution and a strong role for the state. In the following analysis, the signs of the estimated coefficients constitute an empirical basis for comparing the different theoretical paradigms mentioned in the previous paragraphs.<sup>29</sup>

Table 8 presents the individual determinants of the demand for redistribution. Explanatory variables are presented according to the four groups of variables mentioned above. General socioeconomic characteristics are presented first, followed by the socioeconomic measures, the mobility indicators, and the direct questions on perceptions of social justice. Two different specifications are presented, one without country fixed effects and one with. The estimations were implemented using a probit model: the table shows marginal effects (or average effects for binary variables) accompanied by standard errors corresponding to the original parameters.

Preferences for redistribution are lower among men than women, and they do not vary substantially according to age or marital status. They are lower for individuals in the higher quintiles, as well as for those who declare that their income is sufficient to satisfy all their needs. The difference between the first and the fifth quintile is more than eight percentage points. The difference between those who declare that their current income allows them to save and those who state that they have great economic difficulties is also about eight percentage points. In general, the results indicate the existence of a negative correlation between socioeconomic status and the demand for redistribution. These findings are consistent with the Meltzer-Richard paradigm mentioned above, in that individuals appear to take selfish considerations into account when expressing their support for redistribution.

The reported relationship between socioeconomic status and the demand for redistribution appears to be stronger than the relationship reported in

28. Alesina and Angeletos (2005).

29. This informal discussion of the determinants of the demand for redistribution follows a tradition in the empirical literature on the subject. See, for example, the articles already mentioned by Fong (2001), Corneo and Grüner (2002), and Alesina and La Ferrara (2005).

**TABLE 8. Individual Determinants of Preferences for Redistribution**

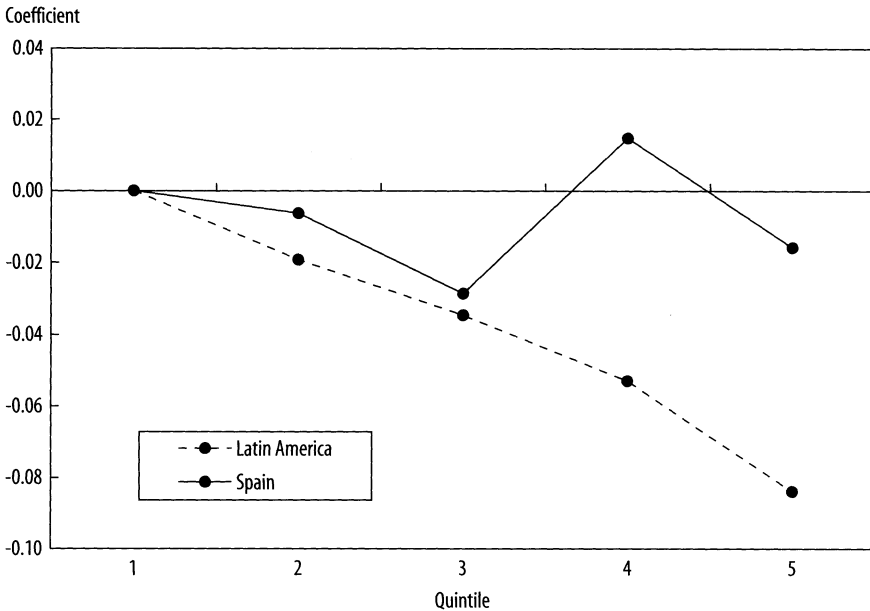
<i>Independent variable</i>	<i>(1)</i>		<i>(2)</i>	
	<i>Coefficient</i>	<i>Std. error</i>	<i>Coefficient</i>	<i>Std. error</i>
<i>Socioeconomic characteristics</i>				
Man	-0.0314	0.0083	-0.0285	0.0083
Age	0.0011	0.0003	0.0012	0.0003
Married	-0.0015	0.0084	0.0000	0.0084
Employee	0.0063	0.0083	0.0113	0.0085
<i>Socioeconomic level</i>				
Income is not enough; difficulties	-0.0089	0.0136	-0.0122	0.0139
Income is just enough	-0.0481	0.0138	-0.0430	0.0143
Income is enough to save	-0.0808	0.0195	-0.0791	0.0200
Quintile 2	-0.0193	0.0132	-0.0216	0.0133
Quintile 3	-0.0348	0.0133	-0.0366	0.0134
Quintile 4	-0.0531	0.0136	-0.0514	0.0137
Quintile 5	-0.0840	0.0141	-0.0807	0.0143
<i>Perceptions about mobility</i>				
Past mobility	-0.0157	0.0044	-0.0197	0.0046
Future mobility	0.0093	0.0043	0.0036	0.0044
<i>Opinions about social justice</i>				
Success depends on connections	0.0690	0.0095	0.0580	0.0097
Hard work does not guarantee success	0.0226	0.0079	0.0187	0.0080
<i>Summary statistic</i>				
Fixed effects by country	No		Yes	
No. observations	13,223		13,223	
Pseudo $R^2$	0.0166		0.0402	

Source: Author's calculations, based on Latinobarómetro (1996).

studies for the United States and the Europe.<sup>30</sup> That is, preferences for redistribution vary more widely with socioeconomic class in Latin America than in some developed countries. This result is consistent with the higher levels of inequality observed in Latin America.

The previous result can be examined rigorously based on data from the 1996 Latinobarómetro survey, which included a Spanish sample (2,481 observations). To compare the pattern of variation in preferences for redistribution according to socioeconomic quintiles, I re-estimated a version of equation 2. The new specification included two additional terms: a dummy variable that identified individuals living in Spain and an interaction term of this variable with each of the dummy variables designating the quintiles. Figure 8 presents the results. The comparison indicates that while Latin America displays a strong monotonic

30. Fong (2001); Alesina and La Ferrara (2005); Corneo and Grüner (2002).

**FIGURE 8. Differences in Preferences for Distribution, by Quintile**

Source: Latinobarómetro (1996).

relationship between socioeconomic level and the demand for redistribution, in Spain the relationship tends to be erratic. Overall, class division appears to correlate strongly with political preferences in Latin America, but not in Spain.

Finally, the results of Table 8 are also (partially) consistent with the Alesina-Angeletos hypothesis. Individuals that experience higher mobility are less likely to favor redistribution, while those who declare that connections are fundamental (and that hard work is not rewarded) are more likely to support redistribution. The latter difference may help explain some of the variations between countries in the demand for redistribution. For example, if the percentage of individuals who believe that connections are important decreases by 30 percentage points, the percentage of those who are very much in agreement with redistribution will decrease by nearly two points.

Table 9 presents the correlates of the support for market outcomes. Independent variables are the same in the previous exercise. The results show that both men and employed individuals are more likely to declare their support for market outcomes. The same occurs with individuals belonging to the higher quintiles and those reporting that their income covers their needs. Differences

**TABLE 9. Individual Determinants of Support for Market Economy**

<i>Independent variable</i>	<i>(1)</i>		<i>(2)</i>	
	<i>Coefficient</i>	<i>Std. error</i>	<i>Coefficient</i>	<i>Std. error</i>
<i>Socioeconomic characteristics</i>				
Man	0.0378	0.0090	0.0419	0.0091
Age	0.0003	0.0003	0.0006	0.0003
Married	-0.0184	0.0090	-0.0172	0.0091
Employee	0.0225	0.0091	0.0158	0.0093
<i>Socioeconomic level</i>				
Income is not enough; difficulties	-0.0016	0.0147	0.0131	0.0149
Income is just enough	0.0213	0.0147	0.0407	0.0151
Income is enough to save	0.0597	0.0182	0.0903	0.0183
Quintile 2	0.0199	0.0137	0.0202	0.0138
Quintile 3	0.0354	0.0137	0.0336	0.0138
Quintile 4	0.0527	0.0137	0.0493	0.0139
Quintile 5	0.0684	0.0138	0.0654	0.0140
<i>Perceptions about mobility</i>				
Past mobility	0.0109	0.0027	0.0152	0.0028
Future mobility	0.0141	0.0025	0.0144	0.0026
<i>Opinions about social justice</i>				
Success depends on connections	-0.0617	0.0100	-0.0660	0.0102
Hard work does not guarantees success	-0.0102	0.0092	-0.0223	0.0095
<i>Summary statistic</i>				
Fixed effects by country	No		Yes	
No. observations	13,660		13,660	
Pseudo $R^2$	0.0114		0.0335	

Source: Author's calculations, based on Latinobarómetro (2000).

are substantial, with seven points between the first and the fifth quintiles and six points between those who are able to save and those who report great financial difficulties. As before, the results highlight a significant gap between socioeconomic groups regarding their attitudes toward market outcomes. Class divisions correlate with political opinions, a result consistent with the Meltzer-Richard paradigm.

Support for market outcomes is also greater among those reporting greater past mobility and those expecting greater future mobility, whereas market outcomes are less likely to be supported by those who are pessimistic about the distribution of opportunities. That is, negative perceptions about the extent of social justice may erode support for market outcomes. If the percentage of those believing that opportunities are unevenly distributed increases by 30 percentage points, the percentage of those supporting market economies will decrease by a little more than two points. Again, the Alesina-Angeletos hypotheses seem to hold.

TABLE 10. Individual Determinants of Support for Privatization

<i>Independent variable</i>	<i>(1)</i>		<i>(2)</i>	
	<i>Coefficient</i>	<i>Std. error</i>	<i>Coefficient</i>	<i>Std. error</i>
<i>Socioeconomic characteristics</i>				
Man	0.0131	0.0080	0.0109	0.0088
Age	-0.0003	0.0003	0.0000	0.0003
Married	-0.0162	0.0089	-0.0090	0.0090
Employee	0.0203	0.0089	0.0176	0.0090
<i>Socioeconomic level</i>				
Income is not enough; difficulties	0.0015	0.0145	0.0160	0.0147
Income is just enough	0.0517	0.0146	0.0806	0.0150
Income is enough to save	0.0845	0.0188	0.1274	0.0195
Quintile 2	0.0123	0.0137	0.0137	0.0138
Quintile 3	0.0249	0.0138	0.0230	0.0139
Quintile 4	0.0694	0.0140	0.0678	0.0142
Quintile 5	0.0830	0.0142	0.0790	0.0144
<i>Perceptions about mobility</i>				
Past mobility	0.0152	0.0027	0.0170	0.0027
Future mobility	0.0156	0.0025	0.0170	0.0025
<i>Opinions about social justice</i>				
Success depends on connections	-0.0894	0.0100	-0.0714	0.0102
Hard work does not guarantees success	-0.0522	0.0091	-0.0467	0.0093
<i>Summary statistic</i>				
Fixed effects by country	No		Yes	
No. observations	13,961		13,961	
Pseudo R <sup>2</sup>	0.0239		0.0447	

Source: Author's calculations, based on Latinobarómetro (2000).

Table 10 presents the individual determinants of the support for privatization. The results are similar to the previous findings, and the conclusions are even more definitive. Differences among socioeconomic groups are higher in this case, as are differences associated with perceptions of past mobility and expectations of future mobility. Likewise, the connection between perceptions of social justice and support for privatization is stronger than that between perceptions of social justice and support for market outcomes. In sum, negative perceptions about mobility and equality of opportunity greatly diminish support for privatization. Once again, the Meltzer-Richard, POUM, and Alesina-Angeletos paradigms are consistent with the empirical results.

Finally, Table 11 presents the individual determinants of being leftist. Connections between this variable and the different explanatory factors are not very strong. Being leftist decreases with age and is lower among those who are satisfied with their current income level than among those experiencing

**TABLE 11. Individual Determinants of Political Preferences: Being Leftist**

<i>Independent variable</i>	<i>(1)</i>		<i>(2)</i>	
	<i>Coefficient</i>	<i>Std. error</i>	<i>Coefficient</i>	<i>Std. error</i>
<i>Socioeconomic characteristics</i>				
Man	0.0169	0.0076	0.0174	0.0075
Age	-0.0017	0.0002	-0.0017	0.0003
Married	0.0045	0.0076	0.0056	0.0076
Employee	-0.0053	0.0077	-0.0040	0.0077
<i>Socioeconomic level</i>				
Income is not enough; difficulties	-0.0112	0.0121	-0.0114	0.0122
Income is just enough	-0.0302	0.0122	-0.0256	0.0125
Income is enough to save	-0.0422	0.0139	-0.0359	0.0144
Quintile 2	0.0113	0.0118	0.0115	0.0118
Quintile 3	0.0046	0.0117	0.0051	0.0117
Quintile 4	-0.0011	0.0117	-0.0017	0.0117
Quintile 5	-0.0076	0.0117	-0.0109	0.0115
<i>Perceptions about mobility</i>				
Past mobility	-0.0007	0.0023	-0.0013	0.0023
Future mobility	-0.0011	0.0021	-0.0013	0.0021
<i>Opinions about social justice</i>				
Success depends on connections	0.0045	0.0084	0.0105	0.0084
Hard work does not guarantee success	0.0255	0.0076	0.0258	0.0076
<i>Summary statistic</i>				
Fixed effects by country	No		Yes	
No. observations	11,747		11,747	
Pseudo R <sup>2</sup>	0.008		0.0221	

Source: Author's calculations, based on Latinobarómetro (2000).

financial difficulties. Individuals who believe that poverty is caused by external circumstances are also more likely to be leftist. In general, however, this variable does not seem to have a close relationship with the different explanatory factors analyzed here.<sup>31</sup> Being leftist thus seems to be a less predictable political preference than those analyzed above.<sup>32</sup>

31. I also estimated the regressions presented in this section controlling for happiness. I constructed the variable based on a Latinobarómetro question regarding the level of satisfaction with one's life. Again, answers were dichotomized to facilitate the econometric exercises. The coefficient for the happiness dummy was either insignificant or relatively small, and the results presented in the paper are robust to the inclusion of the happiness variable.

32. I repeated the regressions that had support for the market economy, privatization, and being leftist as dependent variables using the 2005 Latinobarómetro survey data. The coefficients for subjective income generally have the same signs and significance, whereas the results for each of the socioeconomic quintiles are inconclusive. Support for privatization in Latin America has diminished substantially; it has therefore become less dependent on socioeconomic status.

## Conclusions

Three general conclusions can be drawn from this paper. First, preferences for redistribution are very strong in Latin America, and support for market outcomes is weak. Second, support for redistribution, market outcomes, and privatization varies widely across social classes. For example, despite strong support for redistribution, on average, differences among rich and poor are substantial and larger than in other regions of the world. Third, individuals with pessimistic views on social justice and equality of opportunity are much more likely to support redistribution and to disagree with market outcomes and privatization. These results are consistent with the existence of social preferences and the Meltzer-Richard paradigm, and less supportive in general of the POUM hypothesis. This does not, of course, represent definitive proof of these paradigms. Rather, the results must be interpreted with caution, given the descriptive nature of the exercise.

These conclusions shed light on some of the most important social trends of the last decades in Latin America, as well as on some of the most intense current political debates. For example, the increase in social expenditure that took place in conjunction with the democratization process may be understood as the political materialization of the high demand for redistribution.<sup>33</sup> Likewise, the ideological polarization that affects many of the countries of the region, frequently characterized by deep class divisions, may be partially understood as the result of political differences between rich and poor. Also, political instability problems may be related to the inability of public policies to accelerate social mobility and to change pessimistic perceptions of social justice. Democracy appears to have accomplished the easy part (that is, increase social expenditures), but to have been incapable of doing the difficult part (namely, increase social justice).

In general, the results of this paper emphasize the existence of a climate of opinion similar to the one highlighted by Hirschman and Rothschild more than three decades ago.<sup>34</sup> According to these authors, when the majority starts doubting the possibilities for mobility, the challenges of growth and equality cannot be approached in sequence. On the contrary, when most people are impatient and pessimistic about social justice, growth and equity should be resolved simultaneously. Therein lies the biggest challenge for Latin American countries in the years ahead.

33. In Latin America as a whole, social expenditures increased from 8 percent to 13 percent of GDP between 1970 and 2000 (according to the International Monetary Fund's *International Financial Statistics*). Freedom House's index of democratic liberties doubled in the same period.

34. Hirschman and Rothschild (1973).

## Appendix: Survey Questions

This appendix presents the specific questions taken from the 1996 and 2000 Latinobarómetro surveys and the 1994–99 World Values Survey (second wave). The questions were used to define the variables in this study, and the data served as the basis for running the regressions.

### *The 1996 Latinobarómetro Survey*

The dependent variable assessing the demand for redistribution is drawn from the following question:

Do you consider that it should be the government's responsibility to . . . reduce the differences between rich and poor?

- |                          |   |
|--------------------------|---|
| Yes, of course . . . . . | 1 |
| Yes, maybe . . . . .     | 2 |
| Maybe not . . . . .      | 3 |
| Of course not . . . . .  | 4 |
| Unknown . . . . .        | 8 |
| No answer . . . . .      | 0 |

Five questions from the 1996 survey were used to define independent variables, as follows.

—Subjective income:

Do your total wage and the total family income allow you to satisfactorily cover all your needs? How would you define your situation?

- |   |   |
|---|---|
| It is more than enough, and you can save . . . . .                  | 1 |
| It is just enough, and you do not have great difficulties . . . . . | 2 |
| It is not enough, and you have difficulties . . . . .               | 3 |
| It is not enough, and you have great difficulties . . . . .         | 4 |
| Unknown . . . . .   | 8 |
| No answer . . . . .   | 0 |

—Past mobility:

Do you believe that the opportunities to improve your level of well-being today are much better, better, the same, worse, or much worse than the opportunities your parents had?

- |                       |   |
|-----------------------|---|
| Much better . . . . . | 1 |
| Better . . . . .      | 2 |
| The same . . . . .    | 3 |



Worse . . . . .	.4
Much worse . . . . .	.5
Unknown . . . . .	.8
No answer . . . . .	.0

—Future mobility:

Looking into the future, do you believe that the opportunities your children will have to improve their level of well-being are currently much better, better, the same, worse, or much worse than the opportunities that your parents had?

Much better . . . . .	.1
Better . . . . .	.2
The same . . . . .	.3
Worse . . . . .	.4
Much worse . . . . .	.5
Unknown . . . . .	.8
No answer . . . . .	.0

—Connections and whether hard work pays off:

Do you agree with the following statements?  
 Success in life depends on your connections.  
 Hard work does not guarantee having success.

Yes . . . . .	.1
No . . . . .	.2
Unknown . . . . .	.8
No answer . . . . .	.0

—Happiness:

In general terms, would you say that you are satisfied with your life?  
 Would you say you are . . . ?

Very satisfied . . . . .	.1
Quite satisfied . . . . .	.2
Satisfied . . . . .	.3
Not very satisfied . . . . .	.4
Don't know/No answer . . . . .	.0

*The 2000 Latinobarómetro Survey*

Two dependent variables were drawn from the 2000 Latinobarómetro survey.

## —Privatization and the market economy

Do you (1) strongly agree, (2) agree, (3) disagree, or (4) strongly disagree with each of the phrases I am going to read to you:

Privatizations have been beneficial to the country.

The market economy is the most convenient economy for the country.

Strongly agree	.....1
Agree	.....2
Disagree	.....3
Strongly disagree	.....4
Unknown	.....8
No answer	.....0

## —Political preferences:

We normally speak of “left” and “right” in politics. On a scale where zero is the left and ten the right, where would you place yourself?

The 2000 survey was used to develop three independent variables.

## —Past and future mobility:

Imagine a staircase with ten steps, in which the poorest are on the first step and the richest are on the tenth step. Where would you place yourself? Where would you place your parents? Where do you think your children will be located?

Very poor										Very rich
1	2	3	4	5	6	7	8	9	10	
Unknown	.....00									
No answer	.....98									
None	.....96									

## —Unequal opportunities:

Opinions differ regarding equal opportunities to escape poverty in \_\_\_\_\_(country). Some people consider that the economic situation of \_\_\_\_\_(country) gives all \_\_\_\_\_(nationality) the same opportunity to escape poverty; others consider that \_\_\_\_\_(nationality) do not have equal opportunities to escape poverty. Which of the two is closest to your opinion?

They have equal opportunities . . . . .	.1
They do not have equal opportunities . . . . .	.2
Unknown . . . . .	.8
No answer . . . . .	.0

—Poverty caused by circumstances:

Opinions differ regarding the causes of poverty in \_\_\_\_\_(country). Some people think people are poor because they make no effort to try to improve their life conditions; others consider that people are poor because of circumstances outside their control. Which of the two is closest to your opinion?

Lack of effort . . . . .	.1
Due to circumstances . . . . .	.2
Unknown/No answer . . . . .	.0

*The 1994–99 World Values Survey (Second Wave)*

Two independent variables were drawn from the World Values Survey.

—Opportunities for escaping poverty:

In your opinion, do most poor people in this country have a chance of escaping from poverty, or is there very little chance of escaping?

- They have a chance
- There is very little chance
- Don't know

—Hard work guarantees success:

Where would you place yourself on a scale of one to ten, in which one is the idea that “In the long run, hard work usually brings a better life” and ten is the idea that “Hard work doesn't generally bring success—it's more a matter of luck and connections”?

Don't know equals 99.

## Comments

**Carol Graham:** This is an excellent paper on a topic that is important to Latin America's future, in general, and the sustainability of its reforms, in particular. Alejandro Gaviria makes nice use of empirical data from both Latin America and the United States, and he uses sound methodology. I agree with the general direction of the findings, and much of our own work on inequality supports that general direction. However, the story is more complex than the one that Gaviria tells, particularly with regard to preferences for redistribution. In this latter area, our findings depart quite markedly from his.

The paper lacks a discussion of what mobility indicator is most important to attitudes about redistribution, future behavior, and so on. There are many different views on this issue (as well as some empirical results), and a discussion would have enriched the paper. I personally think that attitudes about longer-term trends—and children's future—are the most important. Here I am not so sure that Latin Americans are as far from the United States as the paper suggests. While 56 percent of U.S. citizens in the General Social Survey (GSS) think that their children will live better than they, 55 percent of Latin Americans think so. That is a surprisingly small and insignificant difference. To some extent, this reflects hope and optimism as much as anything else (in that happier people tend to have higher prospects of upward mobility, and the correlation is stronger for more speculative questions about the future). Yet it also suggests that Latin Americans retain similar hope for the future mobility of their children, despite more difficult objective constraints than people in the United States.

The paper notes that almost half of Latin Americans think that their socioeconomic status is the same as that of their parents, while a remarkably high 36 percent of Americans think that their status is the same as or worse than that of their parents. These differences are not that great, given the wildly different economic contexts and differences in macroeconomic stability. The two regions also seem to hold relatively similar views of the causes of poverty. In

Latin America, the paper reports that 36 percent of respondents think that poverty is caused by circumstances other than skills and personal efforts. In the U.S. GSS, 46 percent of respondents think that insufficient effort is the reason for poverty. This is different, but it not as far off as one might have guessed. Moreover, almost 80 percent of U.S. respondents think that the lack of jobs is an explanation that is somewhat or very important to poverty.

In terms of actual mobility differences between Latin America and the United States, the paper notes differences in intergenerational educational mobility. The links between parents' and children's education are strongest at the top end of the distribution in Latin America. This is not surprising, not only because of the limited supply of higher education that the paper notes, but because of all of the other barriers that members of poor households face in trying to reach university levels of education in the region. The general concavity of the distribution for the region may also reflect the previously strong incentives for completing secondary school (such as a middle-class lifestyle, stable job in the public sector, and so on), which now have changed. The kinds of jobs that used to be available to someone with just secondary education are far fewer and less desirable than they were before; the bubble in the distribution may be explained by these earlier and more generalized investments in secondary education.

Income mobility is a trickier story to tell because of data problems. Peru provides some anecdotal, but provocative, evidence. An important caveat here is that these data address intragenerational rather than intergenerational mobility, which is different from the focus of the paper although not orthogonal to the broader discussion. My coauthor and I compare mobility rates over a ten-year period for Peru and the United States, and we find more relative mobility in Peru.<sup>1</sup> Some of this is explained by macroeconomic volatility in Peru, but we counterbalance this effect by using expenditure rather than income data for Peru, which fluctuate less. Regardless, the results are suggestive of rather fluid short-term mobility changes. These may or may not be welfare enhancing, depending on the starting point and the direction of change, but it is hardly a story of complete stagnation. Our research also finds that perceptions of mobility are more negative than actual rates, and they are most negative for those with the most upward mobility.

Another area in which my views differ from Gaviria's involves the direct link between attitudes about redistribution and wealth. I think this has changed over time in the region. The paper relies on 1996 and 2000 data. My work

1. Graham and Pettinato (2002).

with Sandip Sukhtankar indicates that the link between wealth and support for market reforms has decreased over time since 2000.<sup>2</sup> We also find a weaker link between wealth and believing that the distribution of income is unfair than the general argument in the paper suggests. The coefficient on wealth is insignificant. Instead, we find a stronger link with perceptions of future mobility (as shown by the strong and significant coefficient on the POUmentitle variable, which asks people how long it will take to reach their desired standard of living). A counterintuitive result of our study is that the belief that taxes should be low even if welfare spending suffers is negatively correlated to wealth. The result did not change when we performed the exercise with just the top half of the distribution (that is, those who would be liable to pay taxes). These findings depart significantly from those for the United States, where income and support for redistribution are strongly and negatively correlated (as is support for redistribution and happiness).

Regardless of whether the Latin American results are due to enlightened self-interest on the part of elites or distrust of the state's capacity to redistribute fairly on the part of the poor, they do depart from the findings in the paper, and they are based on 2002 data rather than earlier data. Moreover, the early part of the decade was characterized by significant crisis, as well as reform fatigue that seems to have affected both the wealthy and the poor.

Our research on inequality and individual welfare, however, generally supports the paper's central hypothesis about what inequality signals to respondents in the region. Research with Andy Felton indicates that inequality makes the wealthy happier, on average, and the poor much less happy.<sup>3</sup> When we break down our wealth variable into the average wealth for the respondent's country of residence and his or her distance from the average, we find that average levels have no effect while the relative distance has a strong effect. We performed this exercise using both the average income level of the country and the average income level for cities of different sizes in the country of residence (for small, medium-sized, and large cities).

To provide a sense of the order of magnitude, we compare poor peasants in Chile and Honduras. Even though the poor Chilean is twice as wealthy as the Honduran (that is, average wealth levels are twice as high in the poorest quintile in Chile as in the same quintile in Honduras), the peasant in Chile is less happy (by half a percentage point) because his or her distance from the average is greater. The rich Honduran, meanwhile, is less wealthy than the

2. Graham and Sukhtankar(2004).

3. Graham and Felton (2006).

rich Chilean, but is happier because his or her distance from the average is greater. When we look at perceptions of inequality and future mobility, the results are even stronger. We attribute our results to what inequality signals to the average respondent in the region: persistent advantage for the rich and disadvantage for the poor.

This illustrative example supports the paper's general findings about the negative effects that inequality of income and opportunity seem to have in the region. I am not convinced, however, that they translate so clearly into support for redistribution. I think this may have changed over time. Indeed, researchers to date have only scratched the surface of the relationship between actual mobility rates, perceptions of those rates, and support for redistribution, both in the OECD and in Latin America. In the United States, perceptions of future mobility remain far more optimistic than trends in recent decades suggest they should be.<sup>4</sup> It is possible, although not likely, that trends in Latin America are slightly better than public opinion assesses them to be, given a history of persistent and high levels of inequality.

I conclude by reiterating that this paper provides a very sound treatment of an important subject. I would argue, though, for further discussion of what kind of mobility (own experience, children's, and so on) matters most and links most closely to attitudes about redistribution, as well as more attention to how time trends in the region may have changed these attitudes in a way that is not reflected in the paper.

**Luis H. B. Braido:** This short note presents a few thoughts on the work by Alejandro Gaviria. In its first part, Gaviria's paper presents evidence suggesting that intergenerational mobility is much lower in Latin America than in some developed countries, such as the United States. It identifies a positive correlation between the educational level of parents and their children in Latin America. On average, children whose parents have completed college present approximately equal years of schooling in both Latin America and the United States. This picture changes completely, however, when one compares children whose parents have not completed primary school. Latin American children whose parents were not formally educated seem to be much more likely to remain uneducated than their counterparts in the United States.

These findings confirm the anecdotal evidence on the subject. From a normative point of view, public policies intended to equalize educational opportunities for all children should be a priority for the region. One impor-

4. See Sawhill (2007).

tant point must be noted, however. Most policy studies use literacy and years of schooling as proxies for education, so many educational policies across the world focus primarily on these two aspects of the problem. Despite the importance of those policies, educational quality remains significantly heterogeneous across the schools available for children with different family backgrounds. The school environment and quality of teachers are not homogeneous across neighborhoods, partly because educated parents spend more time supervising the education of their children.

Gaviria's initial results also suggest that Latin Americans are very pessimistic about their own mobility experience, but relatively optimistic about the social mobility opportunities for their children. This evidence is based on qualitative data, which are naturally subject to the usual criticisms regarding how to compare subjective answers that depend on personal perceptions. Nevertheless, these findings may reflect recent social programs that have been implemented in the region, which improved the welfare and educational opportunities of children. Programs such as *Escola para Todos* and *Bolsa Família* in Brazil, *Oportunidades* (formerly *Progresá*) in Mexico, *Programa de Asignación Familiar* (PRAF) in Honduras, the Programme of Advancement through Health and Education (PATH) in Jamaica, and *Bono de Desarrollo Humano* in Ecuador, among others, might have raised Latin American expectations about social mobility for future generations.

The second part of Gaviria's paper identifies correlations between individuals' socioeconomic characteristics and their preferences for different public policies. The paper reports that some individuals—namely, those who are poor, or have not yet experienced social upgrades, or believe that socioeconomic success depends on external circumstances and connections—typically present stronger demands for redistributive government policies and are more likely to oppose the privatization programs recently conducted in the region.

These results also confirm casual observation, but they are hard to interpret. From the individual perspective, it seems natural that those who have more to benefit from social programs and those who are more pessimistic about social justice are more likely to support governmental redistributive interventions, while taxpayers are more likely to worry about the long-run impact of these programs. However, since the data used come from different regions and countries, one should worry about the extent to which these correlations reflect different socioeconomic equilibria, in which case beliefs may be self-reinforcing and the direction of causality may thus be harder to ascertain.

Consider, for instance, the model analyzed in Alesina and Angeletos, in which agents combine capital and labor effort to produce goods by means of



a stochastic production function.<sup>1</sup> Redistribution policies, if desired, must be financed by distortionary taxes. The authors explore two possible economic equilibria. In the first case, agents believe that the competitive equilibrium is fair and do not support redistribution policies. In equilibrium, most of the individual income depends on the amount of capital and effort employed in production (as opposed to the stochastic shock). The society's original rejection of redistributive policies is thus adequate in this equilibrium. A second possibility occurs when agents originally believe that competition is unfair. In this case, they support insurance policies that redistribute income after the productivity shock is realized. In equilibrium, there are weaker incentives to invest in capital and labor effort, and most of the production depends on luck (that is, on the productive shock). Consequently, the society's original support for insurance (that is, redistributive policies) is also justified.

Data from different locations in Latin America may reflect different socio-economic equilibria. For instance, popular support for redistributive policies and the amount of public resources available for them vary considerably across areas with different characteristics, such as the degree of urbanization (that is, metropolitan versus rural areas) and the main economic activity (industry versus service economies). Therefore, interpreting the positive correlation between individuals' characteristics and demand for social policies is not straightforward.

1. Alesina and Angeletos (2005).

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