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.[1] 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.[2] 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.[3] 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.[4] 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 *Progresa*) 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.[1] 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 polices 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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