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Seeing Inequality?

Relative Affluence and Elite Perceptions in Mexico

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El Colegio de México

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**Overcoming Inequalities in a Fractured World:
Between Elite Power and Social Mobilization**

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Acronyms

OECD	Organisation for Economic Co-operation and Development
MBA	Master of Business Administration
PhD	Philosophiæ doctor
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
CONEVAL	Consejo Nacional de Evaluación de la Política de Desarrollo Social
INEGI	Instituto Nacional de Estadística y Geografía
CEEY	Centro de Estudios Espinosa Yglesias
GDP	Gross Domestic Product
USD	United States Dollars
MXN	Mexican Pesos
PPP	Purchasing Power Parity

Abstract

Among the many approaches attempting to explain the persistence of inequalities, the role of perceptions and relative measures remains under-explored. Based on over 40 in-depth interviews with members of the Mexican elite, this paper examines how the dissonance between elite perceptions and measured economic status matters for the social construction and perpetuation of inequality. This unique empirical data reveals that the “wealth bubbles” within which elites exist lead to an experience of *relative affluence*: although elites acknowledge being privileged compared to a majority of the population, they simultaneously feel poorer compared to the exceptionally wealthy peers in their social space. Consequently, despite showing concern about inequality and its negative effects, elites underestimate their own position in the overall income distribution, re-centring the distribution around their own incomes. Understanding elites as embedded in their particular sociality helps explain how the accumulation of advantages assures persistently high inequality in the country. For instance, where elites feel they “earned” their own social position through personal merit, they might insist on education as the key to overcoming inequality, even though due to the stratified opportunity structures in the country, such a “remedy” will actually perpetuate inequality, as it centralizes privileges rather than equalizing opportunities. Meanwhile, elites’ distorted perceptions of the majority’s wellbeing affects social cohesion by further alienating them from the rest and obstructs the implementation of effective policy to sustainably decrease inequality. Hence, elites’ policy recommendations, based on their perceptions, perpetuate inequality, meaning that ultimately perceptions end up influencing inequality levels.

Keywords

Inequality; elites; income distribution; perceptions; Mexico

Bio

Alice Krozer is currently a post-doctoral researcher at El Colegio de México’s Social Inequalities Seminar, with a PhD in Development Studies from the University of Cambridge. She has been a visiting researcher at Stanford University, and has worked as a consultant for ECLAC and Oxfam, among others.

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Introduction

Inequality has become the topic of the hour. Within most contemporary academic and public discourses, it is an acknowledged fact that vast inequalities exist, and that they have profound impacts on the societies experiencing them. However, research has not given substantive consideration to the fact that, as inequalities are perceived differently depending on one's position along the income distribution, perceptions and relative measures play an important role in the social construction of inequality. Focusing on Mexican elites, this paper considers how the dissonance between perceptions and measured economic status matters.

One of the most puzzling aspects of inequality is its persistence over time. Although Mexico has long been recognized as an unequal country, efforts to change this have been largely unsuccessful. An explanation for this conundrum can be found in the way that inequality is *perceived* rather than measured, especially among those members of society having the most impact on the formulation and implementation of public policies: the elites.

Although elites have long held an important place in multidisciplinary inequality research, most studies either blame them for maintaining an unfair distribution by conspiring against the rest (Dorling 2014; Mount 2012) or hail them for pushing up top incomes thanks to supposedly extraordinary individual characteristics (Rosen 1981; Kampfner 2014). Insufficient light has been shed on the role that their perceptions play in the persistence of inequality. As perceptions inform political behavior and policy preferences (Kuziemko et al. 2015; Cruces et al. 2013),¹ studying elites' perceptions is not only interesting out of scientific curiosity, as little is known, neither empirically nor theoretically, about how elites understand distributional dynamics. Rather, addressing this knowledge gap is a crucial step in any attempt to sustainably decrease inequalities in Mexico (and elsewhere). Identifying elites' views can thus give new insights to illuminate the old debate about the persistence of inequalities.

Research has repeatedly shown that, on average, people have a poor understanding of inequality.² Inconsistencies between measured inequality and people's perceptions appear regardless of methodological setups (Dawtry et al. 2015). Given how difficult it is to correctly estimate the distribution of income and wealth for skilled professionals, it is reasonable to expect that most "time-constrained, statistically unsophisticated citizens" have little *exact* knowledge about inequality levels (Gimpelson and Treisman 2015:5). However, rather than being randomly misinformed, respondents often systematically underestimate inequality levels and misidentify trends across countries (Norton and Ariely 2011; Chambers et al. 2014). Likewise, subjective social position, that is a person's self-placement in a social hierarchy, often varies greatly from the position that person would be allocated according to his or her income. For instance, in a study conducted in Spain, only 14 percent of participants correctly identified the decile of the national income distribution they fell into (Fernández-Albertos and Kuo 2015). In general, despite significant country-specific variation as to the degree of deviation (Bublitz 2017; Lindemann 2004), poor people tended to overestimate their ranks in the income distribution, while rich individuals underestimate theirs (Gimpelson and Treisman 2015).

¹ For instance, individuals' redistribution preferences relate to inequality *perceptions* rather than actual inequality levels. As such, in the United States, misestimations of inequality lead individuals to see less need for redistribution (Dawtry et al. 2015). See also Alesina et al. (2018), Bublitz (2017), Gimpelson and Treisman (2015), and Karadja et al. (2017).

² Karadja et al. 2017; Norton and Ariely 2011; Chambers et al. 2014.

One explanation for why individuals' estimates diverge from measured income rankings is that people make sense of the world based on their experience, mediated by beliefs of fairness, expectations about social mobility or other societal norms (Mijs 2019; Gimpelson and Treisman 2015).³ Accordingly, individuals make their inferences about inequality, poverty and affluence in society based on cues their environment affords. This process of "social sampling" (Dawtry et al. 2015) means that elites, like everybody else, have to be understood in "the social worlds within which they are embedded" (Khan 2015:83).

Taking the influence of context into consideration, inequality can thus look very differently for somebody at the bottom and the top of the income distribution. An interdisciplinary niche within the burgeoning literature on perceptions of inequality is starting to concern itself with the role elites play in these processes, and the way their particular experience conditions how they understand inequality. For instance, Hecht (2017) and Sherman (2017) explore the role of elite perceptions as drivers of wealth accumulation in the United Kingdom and the United States, respectively (see also Payne 2017), while Khan (2015) discusses the attitudinal differences between elites and the rest arising from "elite culture."

Not much is known about these issues in the global South, where social, political and institutional circumstances differ from those found in the global North. Even less related research is available for Mexico.⁴ However, if context determines perceptions, and our perceptions—whether correct or not—have an impact on our policy preferences and political behavior (Campos Vazquez et al. 2020), this makes perceptions a powerful driver of inequality, and (national) context a key factor to study its persistence, or reproduction. More to the point, it is *elite* perceptions that play a large role in enacted policies and preferences (Reis and Moore 2005); thanks to their disproportionate influence over policy making (Gilens 2012; Bartels 2008), it matters greatly *how* they view inequality, and consequently which responses to address the issue they support (and oppose).

Thus, in attempting to fathom the nature of inequality, it is important to understand perceptual particularities, their origins, and the standpoints of elites more generally. As I will show below, elites' perceptions diverge from those of other groups because the social worlds of elites and non-elites differ markedly. To sustain my argument, I will first present Mexican elites' particular perceptions of inequality. I will then illustrate how, in a reiterative fashion, exclusionary dynamics like spatial, social and institutional segregation first operate as causal factors in the construction of these elite perceptions to subsequently condition elites' preferred responses to deal with inequality. I will argue that their perceptions of, for instance, education as an equalizing policy also inform a self-image of deserving recipients of earned assets in a supposedly meritocratic context, which grants perceptions a key role both in the conception of self and in the process of inequality justification and legitimation. Understanding this bidirectional role that perceptions of the rich play in the social construction of inequality can thus help identify the kind of responses needed to effectively tackle it.

Before immersing ourselves in the analysis, the next section will provide a brief contextualization of inequality in Mexico. The third section outlines the methodology applied. The fourth presents

³ Alternatively, one might try to explain the discrepancy between the two measures with participants' dishonesty or disinterest, although the non-random patterns of self-placement observed contradicts the expected results for such explanations.

⁴ The main exceptions to this almost complete absence of information include Cerón-Anaya's (2019) account of elites' class and racial relations and Iturriaga's (2016) study of the Meridian elite.

the empirical results that the fifth section aims to explain. The sixth section discusses their implications and the last concludes.

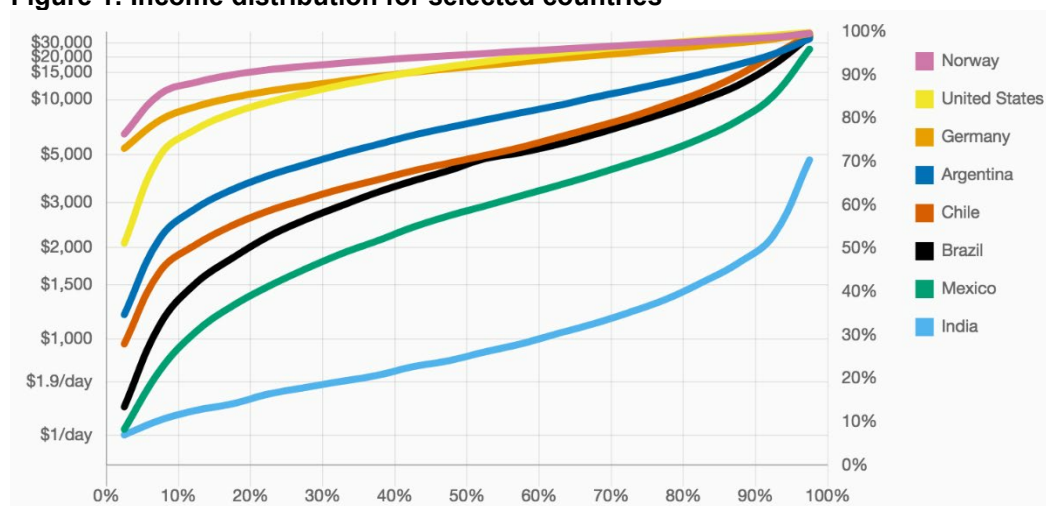
Inequality in Mexico

Mexico is among the countries with the highest inequality and lowest social mobility in the world. With a Gini coefficient of around 0.5 (CONEVAL 2019), less than 3 percent of those born in the lowest quintile will move up to the top quintile and only 2 percent from the top quintile will end up at the bottom (CEEY 2019). At the same time, the income ratio between the lowest and highest decile is 18.3 (INEGI 2019). While half of the population lives underneath the poverty line, the four richest men hold wealth equivalent to 9 percent of GDP (Esquivel 2015).

Mexico City is a suitable location to examine these issues: as the country's capital, it hosts most of the federal political elite and is a regional hub for international institutions, as well as businesses. It is the place with both the highest income threshold for the top 1 percent (Castañeda 2016) and the highest millionaire density in the country (Arriagada Cuadriello 2015). But inequalities in other dimensions are also particularly large within Mexico City. For both the quality and quantity of public goods provided, including water, electricity, sewage and transport, demarcations run along the same divisions as resident income clusters. The absolute (and growing) difference between income levels leads to richer boroughs being able to afford more and better public provision of basic services, alongside private supply by and for its rich residents. This exacerbates differences in experiences in every aspect of life between residents of different sections of the city. Intersectionality of inequality dimensions means that, depending on the neighbourhood inhabited, citizens might experience water shortage, lack of public security provision, inadequate housing, etc.—or none of those.

Moreover, these diverging experiences are again embedded in a national context with one of the largest ranges of income inequality in terms of the differences in income held by the poorest and richest groups in the population, respectively, as displayed in figure 1. Expectedly, the country's income distribution is worse than that of rich countries like Norway (or the often highlighted example of the increasingly unequal United States). However, the figure shows that inequality in Mexico also compares unfavorably to that of otherwise more similar countries in the (infamously unequal) Latin American region, like Argentina, Brazil or Chile. It visualizes the fact that poor people in Mexico not only have a lower share of total income than their counterparts in Brazil or Argentina, but that they earn similar incomes as the poor in India. Meanwhile, the income of Mexico's rich is (almost) comparable to that of rich people in wealthy OECD countries like Germany.

Figure 1: Income distribution for selected countries



Source: *Income-inequality.info* (2019) based on Lakner and Milanovic (2013).

Note: Country percentile vs. world income distribution; Income per person per year in 2011 PPP (Purchasing Power Parity) dollars

Once we disaggregate the top 5 percent presented by Lakner and Milanovic, these differences only become more notorious. According to the National Statistics Institute INEGI, the top 1 percent in Mexico earned a total monthly average household income of MXN 133,221 (~USD 7,087)⁵ in 2014 (del Castillo 2015).⁶ This compares to MXN 46,902 (USD 2,495) for the richest 10 percent of the Mexican population, a mean income of MXN 13,240 (USD 704) and MXN 2,572 (USD 137) for the poorest 10 percent. However, inequality *within* the top 1 percent is very high: average income for the top 0.01 percent is over 30 times that of the lowest top group (99.00-99.90 percent) (Campos Vázquez et al. 2016), compared to a ratio of 27 between the Mexican top and bottom deciles (Krozer et al. 2015). In absolute terms, Campos Vázquez et al. (2014) recalculate average income for the lowest 90 percent of the top 1 percent to lie between a slightly more modest MXN 112,000-127,000 (USD 5,958-6,756), the lowest 90 percent of the 0.1 percent as “only” MXN 437,000-651,000 (USD 23,249-34,634), and the top 0.01 percent, depending on the methodological assumptions used, as MXN 2.5-6 million (USD 133,000-320,000). Since these denote *average* incomes, the threshold for top 1 percent household incomes would lie just above MXN 100,000 (USD 5,320).

Receiving an income of these proportions in itself grants options to influence public debates and

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