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Public Opinion Trends in Latin America (and the U.S.): How Strong is Support for Markets, Democracy, and Regional Integration?

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INTRODUCTION

¹It is an important transition period for inter-American relations. In the U.S., a new administration is taking over after a period in which policy toward the region could be characterized as one of benign neglect. For Latin America, it has been a time of consolidation of market reforms and democratic government in many countries, and certainly in the strong performers, such as Chile, Brazil, Mexico, and even Peru. The relationship of these countries with the United States remains solid, while they have also established extensive trade ties with other partners, such as the EU and China. Yet in other countries, such as Bolivia and Ecuador, there has been an increase in support for anti-system and anti-market “populists”, driven in part by the Hugo Chavez phenomenon in Venezuela, and in part by the breakdown of democratic order and the viability of public institutions in the countries themselves. The relations of this latter group of countries with the United States have deteriorated markedly.

This paper is an attempt to understand public opinion trends in the region over the past decade. The paper explores public attitudes about individual and country level phenomena, ranging from assessments of happiness and future opportunities, to satisfaction with democracy and market systems, to attitudes about the U.S. and China. It analyzes the extent to which public attitudes do not correlate with objective indicators of macroeconomic performance and poverty trends, due to factors such as expectations, global information, and/or cultural and country level traits. The paper also provides a cursory look at similar attitudes in the United States.

The paper highlights a number of trends - such as respondents' happiness, prospects of upward mobility, and attitudes about education, health, and employment - which are, for the most part, remarkably positive given the formidable poverty and inequality challenges facing the region. To some extent this may be cultural – respondents in many countries in Latin America are happier than the average respondent in world-wide polls (although there is a great deal of variance across countries). Happiness levels aside, the data also reflect the extent to which markets and democracy have taken root among a critical mass of people in the region, accepting that there are formidable economic, social, and political challenges ahead.

Our research also identifies pockets of public frustration or unhappiness - which co-exist with the generally high levels of optimism. Unhappiness varies across socioeconomic cohorts and countries. There is likely some “curmudgeon effect”: naturally unhappy people being dissatisfied with virtually anything that they have or do not have.² To the extent we can disentangle these things, we also find genuine frustration with the distribution of incomes and opportunities, and with the level of crime and corruption in the region. And there is a link between trends in poverty and inequality and those in public attitudes, although that linkage is surprisingly non-linear. The complex nature of trends in public opinion no doubt reflects the diversity of people, policies, and outcomes across countries in the region, in addition to a normal diversity of opinions across any population sample.

¹ This draft is based on a longer and more comprehensive version of this paper, which includes a review of trends in poverty and inequality.

² Without panel data it is difficult to distinguish between the effects of objective conditions versus unobservable character traits. In the absence of panel data it is possible to at least get a sense of what is *not* solely determined by character traits by including a control for general optimism/pessimism via an additional subjective variable in the equation).

PERCEPTIONS PARADOXES

Public perceptions are not always informed by objective trends. This does not mean that opinion surveys are of no use, but rather that some of the most important information may be found in the gaps between perceptions and objective conditions. One reason for these gaps is imperfect information. The public typically relies on anecdotes in the media for its information, such as vivid accounts of a recent corruption scandal or a botched privatization. In contrast, economists make assessments of the welfare gains or losses of particular policies based on aggregate and often complex data sets that are not easily understood by the average citizen.

At the individual level, it is typically not the poorest people that are most unhappy with their conditions or the services that they have access to. My research has identified a “happy peasant and frustrated achiever” phenomenon: very poor and destitute respondents reporting high or relatively high levels of well being, while much wealthier ones with greater available opportunities report much lower ones. This may be because the poor respondents have a higher natural level of cheerfulness or have adapted their expectations downwards, while the wealthier ones have constantly rising expectations (or are naturally more curmudgeon-like). Regardless of the balance between objective conditions and individual character traits driving the paradox, it presents challenges when inferring policy relevant information from opinion surveys.

A related problem is what we have called the “paradox of unhappy growth”. There is much debate in the literature about the extent to which per capita GDP levels and average happiness across countries are correlated. Yet even the opposite extremes of the debate recognize that there is some relationship, albeit a modest one, between income and happiness across countries, with wealthier countries showing higher levels of happiness than very poor ones.³ My work with Stefano Pettinato, based on a large sample of Latin American countries and an open ended life satisfaction question, also demonstrates this trend, although *within* each of the poor and rich country sets there is not a clear income-happiness relationship. [Figure 1]

Along the same vein, and based on the Gallup World Poll in 122 countries, my collaborators at the Inter-Development Bank found that countries with higher levels of per capita GDP had, on average, higher levels of happiness.⁴ Yet controlling for levels, individuals in countries with positive growth rates had lower happiness levels. The paradox is stronger for countries above mean per capita GDP in the sample. For the richer countries, higher growth rates are associated with lower happiness levels, as lower scores on a number of other domain satisfactions. For the poorer countries, higher growth rates are only associated with lower health satisfaction. When they split the sample by growth rates, they find that the negative effects of growth on well being only hold for countries with above average rates.⁵ Based on our own analysis of the Latinobarometro data, we also find evidence of an unhappy growth effect.⁶

³ One issue underlying the debate is what kind of “happiness” question is used. More open ended happiness or life satisfaction questions (generally speaking how satisfied are you with your life, for example) are typically less correlated with per capita GDP than are more framed questions, such as Cantril’s best possible life ladder.

⁴ *Understanding Quality of Life In Latin America*. Separate Latinobarometro results available from the authors.

⁵ Wolfers and Stevenson, meanwhile, also based on a world wide Gallup sample, but going back several decades, and again controlling for levels, find insignificant effects of growth in general, but negative effects of rapid growth, as in the case of the Irish miracle and the Korean growth boom. Justin Wolfers and Betsy Stevenson, “Economic Growth and Subjective Well-Being: Re-Assessing the Easterlin Paradox”, Paper presented to the *Brookings Panel on Economic Activity*, April 2008.

⁶ When we include the current GDP growth rate in the equation, as well as the lagged growth rate from the previous year (controlling for levels), we find that the effects of growth rates – and lagged growth rates – are, for the most part, negative. The results are significant or just short of significant depending on the specification. Results are available from the authors.

It may well be that this unhappy growth is driven by its nature in rapidly changing economies, where growth is often accompanied by changes in rewards to different skill sets and increased job insecurity for some groups. Latin America in recent decades certainly fits this pattern, which may help explain unexpected pockets of frustration in relatively prosperous countries like Chile.

A third, related paradox is the “aspirations paradox”. Respondents in poor countries are more likely to be satisfied with their health and education systems than are those in wealthier ones. Within countries, however, wealthier respondents are more likely to be satisfied with their health than are poor ones. Yet there is still an “optimism bias” in the responses of the poorest. Those in the highest quintile in the region hold 57% of the income, while those in the poorest quintile hold 4%. But the difference in their perceptions is much smaller. Seventy-nine percent of individuals in the highest quintile are satisfied with their economic situation, while 57% of those in the lowest quintile say they are satisfied. There is a similar “optimism bias” in the responses of the poor as they assess their living conditions and public policies in their countries.⁷

This paradox is likely due to lower expectations and available information among those living in poorer contexts, as well as lower expectations. For wealthier individuals and respondents in wealthier countries, aspirations and awareness of those in wealthier countries may go up as much if not more rapidly than improvements in service provision and/or economic growth. At the same time, there is also inconsistent usage of available information among these same respondents. A surprisingly small amount of school choice, for example, is informed by test score results.⁸ This may contribute to increased public frustration in the face of improvements in service quality.

There is clear evidence of these paradoxes in our data. Yet they also show genuine frustration with inequality of incomes and opportunities, crime and corruption, weak institutions, and unmet reform promises (controlling, to the extent possible, for the role of individual personality traits). These frustrations vary in a meaningful way across socioeconomic and racial cohorts, and provide policymakers with insights into the region that are not provided by standard income or poverty headcount data alone.

Inequality has clearer linkages with public attitudes than does poverty. Unlike the U.S., where there is remarkable tolerance of inequality due to the links in the public mind with opportunity, in Latin America, it is linked to lower levels of reported happiness, primarily because of what it signals: persistent advantage for the rich and disadvantage for the poor.⁹ Globalization and the advance of the media have also reached a wider range of the region’s population than reforms have yet to benefit, and my recent research shows that respondents in the region with greater access to the media are more likely to think that the distribution of income in their country is unfair.

Inequality also seems to erode the positive effects of economic progress and growth for the upwardly mobile, many of whom assess their economic situation negatively, despite their

⁷ *Understanding Quality of Life in Latin America*.

⁸ *Understanding Quality of Life in Latin America*.

⁹ Graham and Felton (2006) find that inequality makes the poor in the region roughly 3% less happy and the rich 5% happier. While these are simply orders of magnitude calculations rather than exact ones, given that the ranks of the poor by far outnumber those of the rich, the aggregate welfare effects of inequality are surely negative. Alesina, diTella, and MacCulloch (2001), meanwhile, compare the effects of inequality across U.S. states and European countries. They find very modest negative effects of inequality on the welfare of the poor in Europe while in contrast, in the U.S. the only group that is made less happy by inequality is left-leaning rich people. See Carol Graham and Andrew Felton, “Does Inequality Matter to Individual Welfare: Some Insights from Latin America”, *Journal of Economic Inequality*, Vol.4, 2006; and Alberto Alesina, Rafael DiTella, and Robert MacCulloch, “Inequality and Happiness: Are Europeans and Americans Different?” *Journal of Public Economics*, Vol. 88, 2004.

income gains.¹⁰ Their frustrations are in turn associated with lower prospects of future mobility and happiness levels, and less satisfaction with markets and democracy. Prospects of future mobility, meanwhile, have important implications for individuals' willingness to invest in their own future, both in terms of work effort and health, as well as in the education of their children.¹¹ Addressing inequality is an unresolved challenge. Redistribution of income, for example, is a strategy over which there is a great deal of debate, not least because the capacity of states to redistribute efficiently varies tremendously and is generally quite low in Latin America compared to OECD countries, as is the public's faith in its capacity to do so (although the latter is improving somewhat). [Figures 2.1, 2.2]

PUBLIC OPINION IN LATIN AMERICA: 1997-2007

This paper utilizes the Latinobarometro opinion poll, which has been polling approximately 18,000 respondents across 18 countries in the region for over a decade.¹² In addition, we use complementary data for the region from the Gallup World Poll for 2006-2007.¹³ For the U.S., we use the General Social Survey (GSS), a publicly available opinion poll which is conducted annually by the University of Michigan, and covers roughly 30,000 U.S. respondents per year.

We take a two pronged approach to our analysis. The first is a simple tabulation of what has occurred across countries and over time in a number of key variables. These include: happiness; satisfaction with the market, support for the market (based on a neutral index of support for market policies), satisfaction with democracy, preference for democracy as a system of government;¹⁴ satisfaction with respondents' individual economic situation; satisfaction with their health and education; attitudes about crime, corruption, and job security; attitudes about inequality of incomes and opportunities; prospects of upward mobility; and attitudes about the U.S. and China.

The second is an econometric analysis which explores how variance in these attitudes is determined by income, gender, education, employment status, country of residence and year of survey. For this exercise we include controls for cultural differences across countries and for time trends in our equations, given that macroeconomic performance varied a great deal during this period. We also include a second subjective variable in each equation to control, to the

¹⁰ In a recent study of quality of life in the region, undertaken at the IADB, we find, controlling for average per capita GDP levels, that the growth rate has a negative effect on happiness or reported well being, likely due to comparison effects and inequality. See *Beyond the Facts: Understanding Quality of Life in Latin America* (Washington, D.C.: Inter-American Development Bank, forthcoming).

¹¹ Carol Graham and Stefano Pettinato, *Happiness and Hardship: Opportunity and Insecurity in New Market Economies* (Washington, D.C.: The Brookings Institution Press, 2002); Carol Graham, Andrew Eggers, and Sandip Sukhtankar "Does Happiness Pay? An Initial Exploration Based on Russian Panel Data", *Journal of Economic Behavior and Organization*, Vol. 55, 2004; Carol Graham, "Happiness and Health: Lessons and Questions for Public Policy", *Health Affairs*, Vol. 27, No1, 2008.

¹² The Latinobarometro survey consists of approximately 1000 interviews in 17 countries in Latin America, providing 17,000 observations for statistical analysis. The samples are conducted annually by a prestigious research firm in each country, and are nationally representative except for Brazil and Paraguay. The survey is produced by the NGO Latinobarometro, a non-profit organization based in Santiago de Chile and directed by Marta Lagos (www.latinobarometro.org). The first survey was carried out in 1995 and covered 8 countries. Funding began with an grant from the European Community and is now from multiple sources. Access to the data is by purchase, with a 4 year lag in public release. This paper includes data collected in 2007, the latest available year. The survey is cross section and not panel data.

¹³ Graham has been involved in both polls as an academic advisor, and therefore has access to the data.

¹⁴ There can be significant differences in the same respondent's scores on satisfaction with democracy and markets and preferring them as systems. My recent work with Sandip Sukhtankar suggests that respondents are well able to distinguish between the systems in general and how they are working in their country. See Carol Graham and Sandip Sukhtankar, "Does Economic Crisis Erode Support for Markets and Democracy in Latin America? Some Evidence from Surveys of Public Opinion and Well Being", *Journal of Latin American Studies*, Vol. 36, 2004.

extent possible, for the effects of individual personality traits such as innate optimism or pessimism on attitudes.

RESULTS – (a) CROSS TABS

A simple look at mean scores suggests a fair amount of stability in public opinion trends in the region. There was a slight downward dip in the values for many variables in 2002-2003 in most countries, which is not surprising given the economic crisis that hit many countries in 2002. From 2002 to 2007 (the last year for which we have the pooled data) there was an upturn in many key variables. Happiness, prospects of upward mobility, and satisfaction with the economic situation in one's country were at their highest or at least among the highest reported levels in 2007. [See Figures 3 and 4] Concern for crime and corruption and reported victimization fell in most countries, and the percentage of people reporting that people in their country obeyed the law went up. [Figure 5] Satisfaction with democracy, on the other hand, fell slightly, while support for democracy went up modestly. [Figure 6]

Across countries (for the entire pooled time series), the most notable feature is Venezuela as an outlier. Venezuela is one of the two happiest countries in the region (along with Costa Rica). Along with Chile, it has the highest values for satisfaction with and support for democracy, and for satisfaction with the country's current economic situation. Venezuelan respondents are the most satisfied with their health system, along with the Dominican Republic and Ecuador, which, given their poor quality in these countries, is suggestive of the aspirations paradox. [Figure 7] In contrast with the other variables, the Venezuelans are not among the most satisfied with their education system. The highest scorers on education were Uruguay and El Salvador, which likely reflects objective trends: Uruguay's traditionally strong education system and El Salvador's notable and citizen based education reform. [Figure 8]

To some extent these trends are driven by Venezuelan's "cultural" optimism in answering surveys in general. Answers to happiness, health satisfaction, and satisfaction with many contextual variables, such as democracy, are positively correlated in general. Education is typically a less subjective and personal variable than health satisfaction or happiness. Alternatively, the findings may be driven by a selection bias: opponents of the Chavez regime may be less likely to respond to surveys?

Peru has the highest fear of unemployment and the highest concerns for corruption of any country in the region. This is not surprising: it has very unstable labor markets as well as relatively low happiness levels. At the same time, it is one of the fastest growing economies in the region, and there may also be an "unhappy growth" effect. Overall, though, fear of unemployment trended downward in the region by 2007. [See Figure 9] Brazilian respondents have the highest reported victimization of corruption rates, while Mexican respondents have the highest reported victimization of crime rates; both sets of scores reflect real trends in these countries.

Costa Ricans and El Salvadorans have the most respondents that think that the market is best for their country, while Colombians, Chileans, and Ecuadorians (!) are the most satisfied with how the market is working in their country. [Figure 10] Even satisfaction with privatization, which was the most controversial reform in most countries, went up by 2007. [See Figure 11]

Opinions about the U.S., which hit a low in 2003, were up by 2007. Respondents in El Salvador, Honduras, and the Dominican Republic have the highest opinions of the U.S., while Argentines

had the lowest. [Figure 12] Ecuadorians have the highest opinions of the EU. Ecuador's high rankings on these latter variables likely reflect their large diaspora in both the U.S. and Spain. Peruvians and Ecuadorians have the highest opinions of China, meanwhile, which is more likely a story about immigration (including historical trends) rather than emigration.

RESULTS – (b) ECONOMETRICS

Happiness

Understanding the basic determinants of individual happiness in the region – and how they compare to those in other regions – provides a benchmark for the analysis of a range of public attitudes. Using our pooled, over time Latinobarometro data set (with country and year dummies included), we find that the determinants of happiness in the region are, for the most part, quite similar to those of most other countries and regions. This confirms our earlier work on happiness in the region.¹⁵

Within countries, we find that individuals who are married and have more wealth are, on average, happier than others. Respondents that report higher prospects of upward mobility, both for themselves and for their children, are happier. Unemployed individuals, those that report being a victim of crime in the past year, and those that report higher levels of corruption are less happy than others (the direction of causality is not clear, as less happy people may be more likely to report these things). As in the rest of the places where happiness has been studied, there is a U-shaped relationship between happiness and age, with the bottom point on the happiness and age curve being approximately 50 years of age (slightly higher than that for the U.S. and Europe, which is typically in the mid forties).

Our findings on minorities are mixed. We use speaking a native language rather than dominant language - Spanish or Portuguese – as a proxy for being a minority. (Those that speak a dominant language are significantly wealthier and more educated, for example, than those that do not.) When we do not include country controls in our equations, we find that those who speak a dominant language are happier than those that speak a native language. Yet when we control for differences across countries, the coefficient on dominant language becomes insignificant, suggesting that there is variance in the reported well being – and perhaps in discrimination – for minorities across countries in the region.

The IADB team provided some additional variables from the Gallup Poll. They weighted their relative importance and then gave them monetary equivalence (based on the value of the coefficient on income). They found that the variable that was most important to happiness was food insecurity (with negative effects), followed by friendships, health, faith, and telephone access (positive effects). Losing one's job ranked below all of these. [Table 1] When they split the sample into those above and below median income, they found that in addition to income, satisfaction with work and health matter to the wealthy, while friendships were the most important variable for the poor. These friendships likely provide important coping mechanisms for the poor in the absence of publicly provided safety nets. Whether they serve as poverty traps or links to upward mobility, though, is an open question.¹⁶

¹⁵ Graham and Pettinato (2002) and *Understanding Quality of Life in Latin America*. The latter is based on Gallup data and uses the original equations from Graham and Pettinato, with the same results. All of the regression results reported in this section are available from the authors.

¹⁶ Mark Granovetter, "The Strength of Weak Ties," *American Journal of Sociology*, Vol.78 (May), pp. 1360-79.

We looked at the correlates of having high prospects of upward mobility. In the first instance respondents are asked: how do you think your economic situation will be 12 months from now: worse, same, better? The short term question likely captures realistic assessments of the respondent's economic situation, while longer term questions about intergenerational mobility (POUMkids) are more speculative and are typically are closely linked to optimism and happiness. Respondents with higher prospects of upward mobility are happier and younger. There is a quadratic relationship with years of education, increasing up until 14 years of education and then decreasing, which likely reflects the mixed returns to education in the region. They also have higher objective socioeconomic and subjective income assessments, and are more likely to speak the dominant language. The unemployed are more likely than the average to have a high POUM, which may merely reflect hope in the face of adversity.

POUMkids, which asks respondents if their children will live worse, the same, or better than they, proxies for inter-generational mobility expectations. The correlates of POUMKIDs are quite similar to POUM: higher happiness levels, younger age and higher subjective income and country economic assessments. Education loses its significance, as it is more likely a predictor of one's own future mobility, while hope and optimism play a stronger role in predicting the future of one's children. Along the same vein, objective socioeconomic assessments are no longer significant.¹⁷

Satisfaction with Health and Education Systems

Across countries, respondents in poor countries tend to be more satisfied with their health systems than those in wealthy countries, although the pattern is not completely consistent. In our Latin America sample, Chileans are less satisfied with their health and education systems than are Venezuelans, Bolivians, Guatemalans, and Hondurans, although objective assessments would rank Chile's systems much higher. This likely reflects an aspirations paradox. Within countries, wealthier respondents are more satisfied with their health and education systems, as are those with higher prospects of upward mobility, and those that speak the dominant language. Those that have been victims of crime and the unemployed are less satisfied. More educated people are more satisfied with their education systems, while LESS educated people are more satisfied with their health systems. Health assessments are more personal and subjective - and therefore more closely correlated with optimism - than are education assessments. While the latter are subjective in nature, they also entail more distanced assessments of children's outcomes. Not surprisingly, more educated respondents are better able to make those assessments.

Crime, Corruption, Inequality, Unemployment

Crime and corruption are paramount among the concerns of respondents in the region, along with unemployment. One question in the survey asks whether or not the respondent has been a victim of crime in the past 12 months. The likelihood of reporting being a victim is increasing with objective socioeconomic levels and with years of education; those with means are more likely to be robbed. At the same time, their *perceived* economic level is lower than those that do not report victimization, as is their perception of the country's economic situation. They lower happiness levels and are more likely to report high levels of corruption. The generalized

¹⁷ When dominant language is included, socioeconomic becomes negative, as does the coefficient on dominant language. This suggests that those that speak native languages are both more likely to think that their children will do better and to be poor. This is a hope story rather than one of realistic assessments of economic prospects, and fits with our findings on the poor in Africa. See Carol Graham and Matthew Hoover, "Optimism and Poverty in Africa: Adaptation or a Means to Survival?", *Afrobarometro Working Papers*, No. 76, Cape Town, November 2007.

pessimism among the crime victim respondents suggests that there is some attitudinal bias in reporting victimization. We also included lagged crime rates – e.g. the rates from the past two years in the respondent's country – and find that the past year's rate is negative on happiness, while the two year lagged rate is positive. This suggests that there is adaptation to crime rates over time.¹⁸ To some extent this helps explain why concern about crime has not increased in the region even as crime rates have gone up; respondents may have adapted to a higher crime norm.

Those that report high levels of corruption have lower prospects of upward mobility and happiness levels; are less satisfied with their own and their country's economic situation (but no difference in objective socioeconomic levels), and are more likely to report being a victim of a crime. There is an inverse U relation with education, with concerns for corruption first increasing with education and then decreasing after secondary levels (the turning point is at ten years). This set of correlates again suggests that a combination of attitudinal and environmental factors are at play.

The Economic Ladder Question serves as a proxy for attitudes about status and inequality. This question asks respondents to place themselves on a 10 step ladder, on which the poor are on 1 and the rich are on 10. Happier, wealthier, and educated people are likely to place themselves higher on the ladder, as are those with higher prospects of upward mobility, with higher subjective income assessments, and whose mother tongue is a dominant language. These findings reflect more optimistic people ranking themselves higher. Yet they also reflect realistic assessments related to income and status.

The likelihood of being unemployed increases with being male and with age, and decreases with marriage. It is negatively correlated with both objective and subjective income levels. Unemployed respondents are less happy. There is a quadratic relationship with years of education, with the probability of being unemployed going up until nine years of education and then falling. Fear of unemployment displays similar traits: those with higher fear are less happy and have lower prospects of upward mobility. They are more likely to be female and older, and they have lower socioeconomic and subjective income rankings. Education again displays a quadratic relationship, with fear increasing up to eight years of education and then decreasing, mirroring the probability of being unemployed. Those respondents that report they have been a victim of crime and/or those that are concerned about corruption also have a higher fear of unemployment. Again, inherent attitudes and contextual factors are both likely at play, and attitudinal factors are more important in the latter subjective question about fear.

Attitudes about Markets and Democracy

In examining levels of support for markets and democracy, it is important to distinguish between satisfaction with how these systems are working in particular countries, and with support for the systems themselves. Responses in the Eurobarometro opinion survey suggests that citizens in mature systems are able to differentiate between their opinions about particular good or bad governments and the systems themselves. In previous work on Latin America, during the economic crises of the early part of the decade, Sandip Sukhtankar and I found that satisfaction with how markets and democracy were working fell in the crisis countries, but support for the systems per se increased at the same time.¹⁹ An additional point is that satisfaction with

¹⁸ The crime rate is simply the percentage of respondents in year t in country j that report being a victim of crime. Regression results available from the authors.

¹⁹ Graham and Sukhtankar (2004).

markets or democracy, or virtually any other contextual variable is influenced by how inherently happy or unhappy particular individuals are. Happiness plays much less of a role in influencing more neutral questions about support for particular systems.

Those respondents who report they are *satisfied* with democracy in Latin America are happier and older than the average, have higher subjective income levels and more positive assessments of their country's economic situation, and higher prospects of upward mobility. In contrast, their *objective* socioeconomic assessment is *lower* than the average. They are less likely to report having been a crime victim and are more likely to speak a dominant language. The dichotomy between objective and subjective income levels is suggestive of a polyanna effect: naturally happier people being more satisfied with whatever system they live in, although there is surely more to the story. Those who *support* democracy are also happier than the average, older, and more educated. They have higher objective socioeconomic assessments and subjective income assessments, higher prospects of upward mobility, and are more likely to speak the dominant language. In this instance, there is more consistency between objective and subjective circumstances.

There are similar differences between satisfaction with the market and preferring the market as a generic system. Those that are more satisfied with the market display an "optimism" bias as do those that are satisfied with democracy. Those that are satisfied with the market are happier and older, have a higher subjective income ranking, and higher prospects of upward mobility, but do not have above average socioeconomic rankings. They are also less likely to report having been a victim of crime. It is notable that those that are satisfied with markets and democracy are no wealthier than the average. In the late 1990's, the strongest supporters of markets and democracy were clearly the wealthy. Beginning with the crisis of 2001-2002, the wealthy have become increasingly critical, either because of heightened but unmet expectations surrounding the market reform efforts in the region and/or because other trends – such as crime, which has had disproportionate effects on wealthier respondents.

Being a generic supporter of market policies has the least discernible pattern. Market supporters are happier, more educated, and wealthier. But they do not have higher prospects of upward mobility, and they are more likely to report having been crime victims. There are no significant correlations with any of the subjective income variables. The mixed trajectory of market reforms and absence of a viable alternative to the Washington Consensus may explain the mixed pattern.

Being to the right of the political scale, meanwhile, is positively correlated with happiness and with higher prospects of upward mobility, but negatively correlated with education. Right leaning respondents are less likely to report crime victimization and concern about corruption and more likely to speak the dominant language. Respondents with more positive assessments of their own income and of the country's economic situation are more likely to be to the right, while objective wealth assessments are insignificant. In earlier years, leaning to the right was positively correlated with wealth, again suggesting that consensus on reforms and market policies is now questioned as much among wealthier groups as it is among the poor. It also may reflect the extent to which a market-friendly left has taken hold in the region.

Attitudes about the U.S., the E.U. and China

The profile of those that report positive attitudes about the EU is remarkably similar to that of the average happy respondent in the region: they are happier, more educated, have higher objective and subjective income assessments, and are more likely to speak the dominant

language. Happiness is generally correlated with positive attitudes about most things, and this may reflect the vague definition of relations with the EU. Those who hold positive opinions about the U.S. also share some traits with the happy, again reflecting that positive attitudes go together. Those with positive attitudes about the U.S. are happier, have higher prospects of upward mobility, and are more likely to be positive about their own incomes and about the country's current economic situation. They are also more likely to have a positive socioeconomic assessment. They are slightly less educated than the average, but more likely to speak a dominant language. In contrast to opinions about the EU, women are stronger supporters of the U.S. than are men. Respondents living in Brazil, Central America, and Colombia are more positive about the U.S. than the average. When respondents are asked why they dislike the U.S., a plurality (26%) select the answer "how the U.S. treats other countries". When asked what they admire about the U.S., most (47%) respondents select "because of its economic success".

Opinions about China are the most unusual, perhaps because of the nascent nature of the relations between Latin America and China. Those respondents that hold a positive view of China are happier and wealthier than the average for the region. They are more likely to speak a dominant language, and to have positive assessments of their own incomes and of their country's economic situation. The unemployed are also more supportive of China than is the average respondent.

RESULTS – (c) HOW DO ATTITUDES IN THE UNITED STATES COMPARE?

Our cursory look at U.S. attitudes, based on the GSS from 1972-2006, finds some similarity in public attitudes across both regions. The correlates of happiness are similar, with a U-shaped age relationship, with wealthier and more educated people being happier, and with the unemployed significantly less happy. Women are happier than men in the U.S., while in Latin America there is no gender difference. Those that lean to the right are happier on average in both contexts. In the U.S. those that lean to the right are wealthier but less educated. In Latin America, there is no wealth or education difference. In contrast to those that lean to the right, respondents that have confidence in private enterprise in the U.S. are more educated than the average, and there is no income difference. There is also a question which asks respondents if the lot of the average person is getting better. Those that respond positively are wealthier and more educated, and less likely to be unemployed.²⁰

While there is not a direct question about Latin America in the GSS, there is a question about opinions of Brazil, as well as a question asking respondents if engagement in international affairs is beneficial for the country. Those that respond positively to the international affairs question are happier, wealthier and more educated. Those that respond positively about Brazil are also happier, but less educated and with lower than average incomes. This profile suggests that Brazil supporters are first or second generation immigrants from the region. Those with positive opinions of China, meanwhile, are more educated and happier, but have lower than average income levels.

More generally, there is a difference in the profile of those that support free trade in developed versus developing countries. In the former – including the U.S. - it is typically low skilled workers that are opposed to free trade, as their jobs are threatened. In the developing countries, the profile of trade supporters is more varied: while it is typically skilled workers in the industrial sector that are threatened by trade opening, there is also a link between higher education levels

²⁰ Regressions results are available from the authors on request.

and support for trade.²¹ Support for free trade is generally higher in Latin America than in the U.S. A large majority of Latin American respondents supports regional integration; mean scores on a 1-4 scale are consistently over 3.²² In 2004, U.S. GSS respondents were asked whether or not free trade brought better goods into the U.S.; the mean response was 3.47 on a 1 to 5 scale. In 1996 respondents were asked if NAFTA was beneficial; the mean response was .58 on a no or yes/0-1 scale. In 2004 they were asked if the U.S. should continue to comply with NAFTA, with the majority concurring (mean response of 2.7 on a 1-5 scale). U.S. support has fallen recently. A June 2008 CNN poll showed that a majority of U.S. respondents – 51% - *opposed* free trade, for the first time in many years. Support for free trade was higher among wealthier Americans, the majority of whom saw it as an opportunity, than among poor ones, who saw it as a threat. [Table 2] While this is in keeping with the more general findings on skill levels and support for trade, it is not a helpful development in terms of U.S.-Latin American relations.

CONCLUSIONS

Our look into public attitudes yields a remarkable amount of stability and optimism – including among the poor - in the face of the formidable poverty and inequality challenges facing the region. And while concerns about crime and corruption are the subject of much attention among policymakers, reported victimization rates have not increased that much according to our data, nor have public concerns about the phenomena, although there are surely exceptions within individual countries. Yet scores on a number of key variables, such as short term prospects of upward mobility, happiness, and the economic ladder, suggest that wealth, education, and non-minority status still play a major role in the public's perceptions of equity and opportunity.

Satisfaction with public services and jobs has been fairly stable, which reflects gradual progress on the one hand, and generalized low expectations on the other. Satisfaction is, for the most part, higher in poorer countries, while within countries wealthier respondents are more satisfied than poor ones. The satisfaction gap, though, is much smaller between the poor and the rich than are income or service quality gaps, again suggesting an aspirations paradox among the poor. Attitudes about health are more personal and subjective than are those about education and unemployment. The latter variables have stronger links to objective circumstances and to education levels than do health assessments.

Attitudes about markets and democracy are also fairly stable. The profile of those that prefer markets and democracies as systems is slightly more sophisticated than those respondents that are more satisfied with the systems. And while the wealthy were more satisfied with markets and democracy than were the poor in the 1990's, skepticism seems to have increased for the wealthy. The wealthy remain more positive about the U.S. than the poor, however. In general, support for the U.S. did not see a major decline, with the exception of a downward blip in 2003 that is likely related to Iraq. Indeed, trends in attitudes about relations with the U.S. suggest that the establishment of closer ties and better relations would be welcome in most countries.

Attitudes in the U.S. display some similarities with Latin America. The determinants of happiness are roughly the same, and those that lean to the right are happier in both contexts.

²¹ See Kevin O'Rourke and Richard Sinott, "The Determinants of Individual Trade Policy Preferences: International Survey Evidence", in Susan Collins and Dani Rodrik, eds., *Brookings Trade Forum, 2001* (Washington, D.C.: The Brookings Institution Press, 2002), and the commentary by Graham there-in.

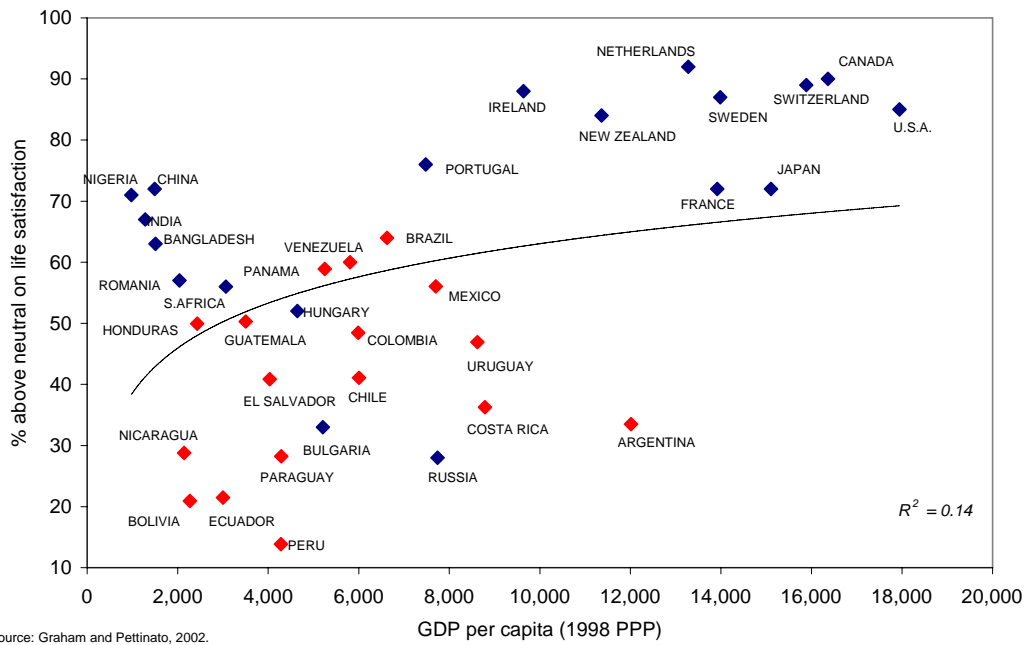
²² These were for years 1998, 2001, and 2002. Seventy-seven percent of Latin Americans felt free trade benefited their economy in the 1996 Latinobarometro.

Those that lean to the right in the U.S. are wealthier and less educated; there is no wealth difference in Latin America. U.S. respondents that think engagement in international affairs is positive are happier, wealthier, and more educated than the average, while those that have high opinions of Brazil are also happier but less educated and wealthy. Support for free trade is higher in Latin America than in the U.S.; in the latter there is more support for trade among educated and wealthier respondents than among poor ones.

In sum, most respondents in the region remain optimistic about their own and their country's future; are more satisfied with their public services than objective conditions would predict; and are still supportive of markets and democracy, with some increase in the skepticism of the wealthy. There is also evidence of our perceptions paradoxes: happy peasants versus frustrated achievers, unhappiness in fast growing countries, and low aspirations and positive assessments of poor quality services by the poor. The paradoxes that we find, no doubt, reflect cultural and cross-country differences in the way people answer surveys. Yet they also are related to changes in rewards structures and to rising expectations as some of the region's economies begin to resemble more developed economies.

APPENDIX – Tables and Figures

Figure 1: Happiness and Income Per Capita, 1990s



Source: Graham and Pettinato, 2002.

Figure 2.1: Capacity to redistribute wealth
Fiscal Reform and Social Equity

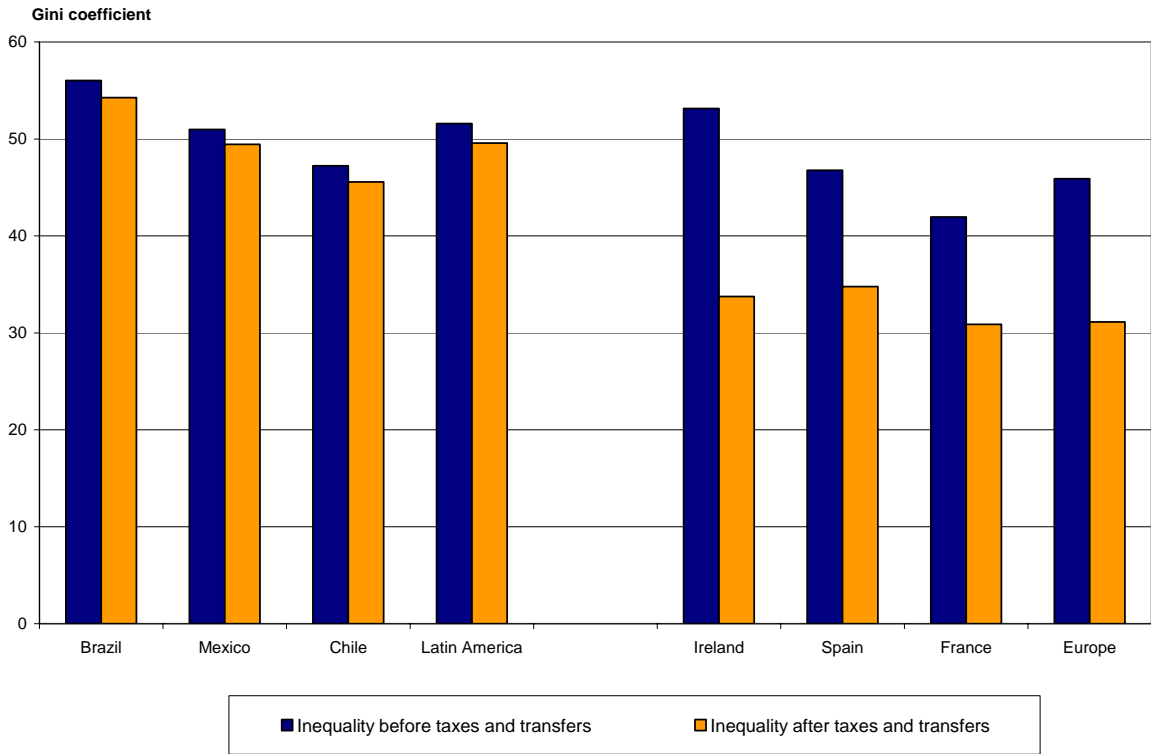


Figure 2.2: Trust in the government
Trust that taxes revenue will be well spent by government

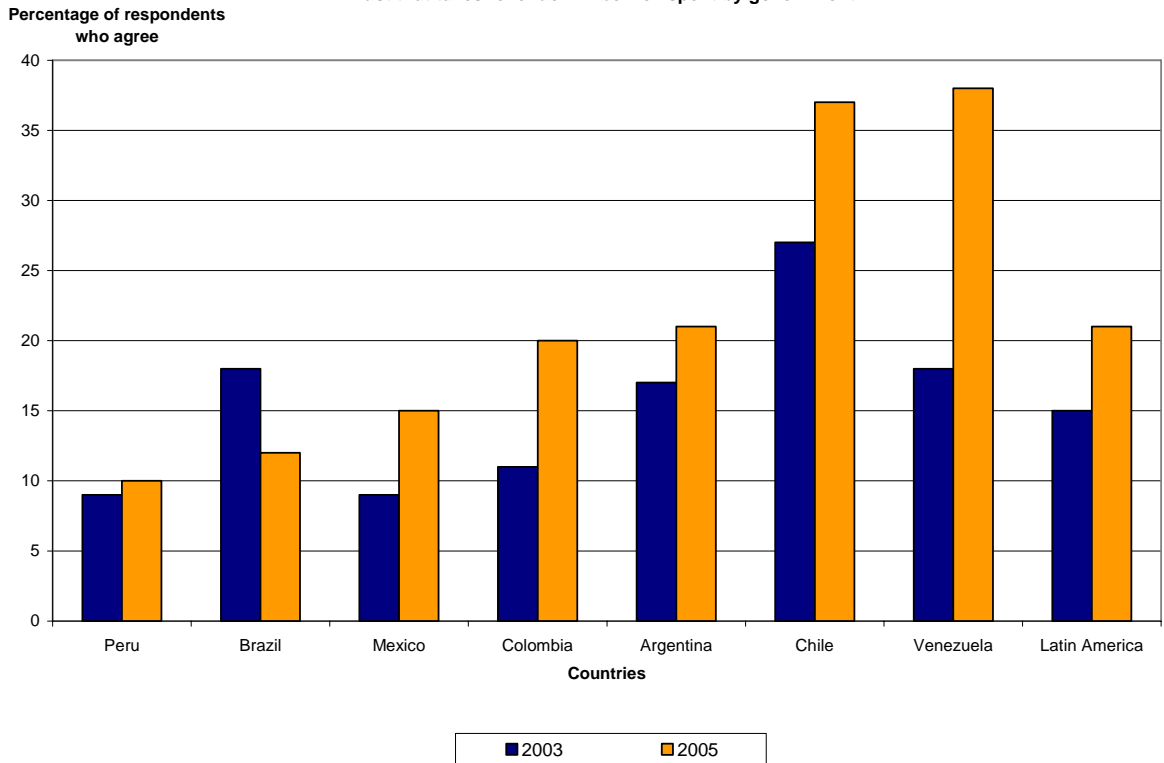


Figure 3: Well-being (happy) - Time trend across countries

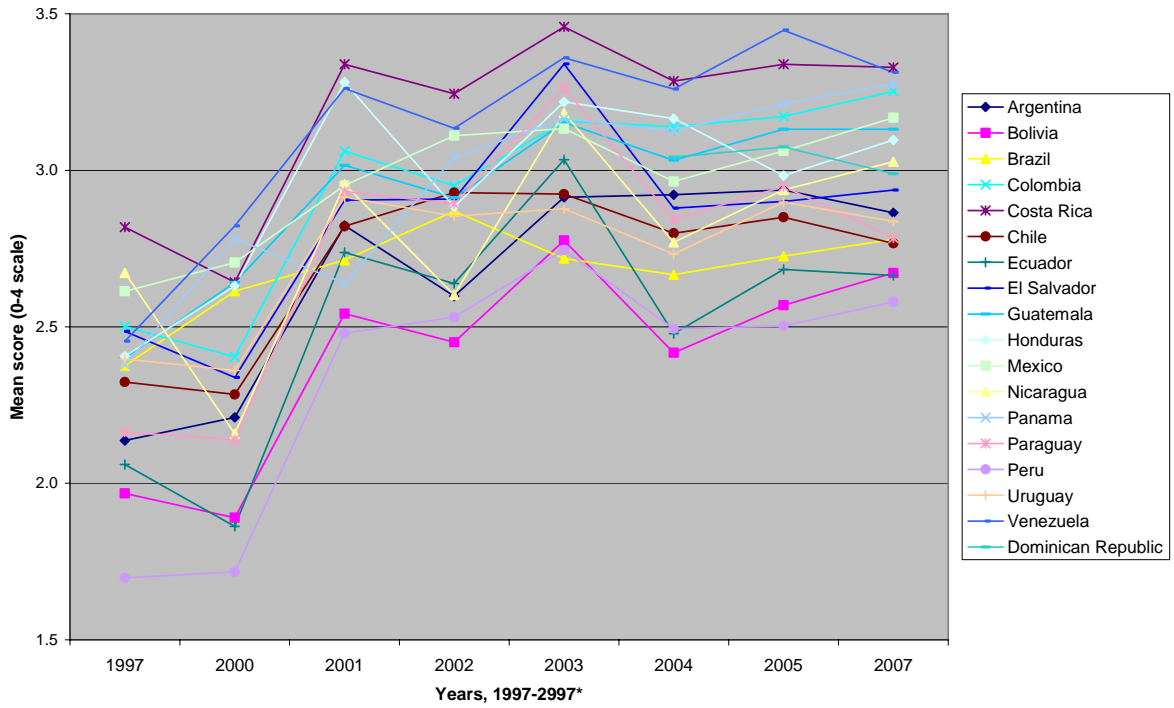


Figure 4: Prospect of Upward Mobility (poum) - Time trend across countries

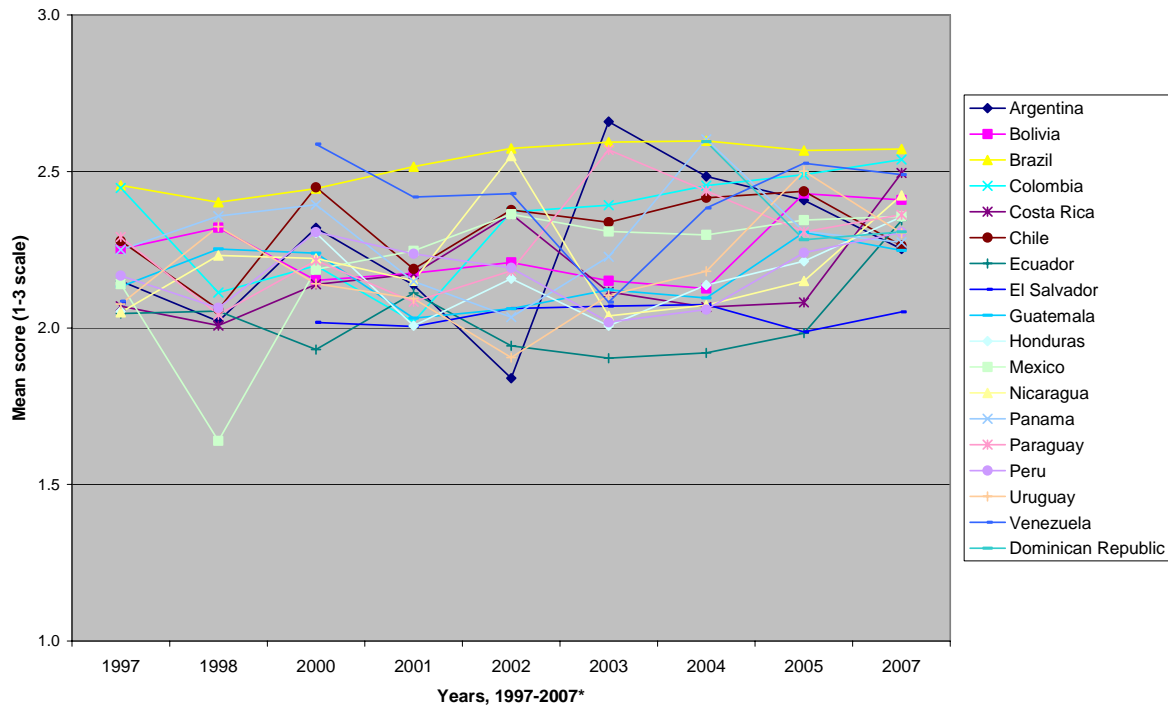


Figure 7: Satisfaction with Health Services - Time trend across countries

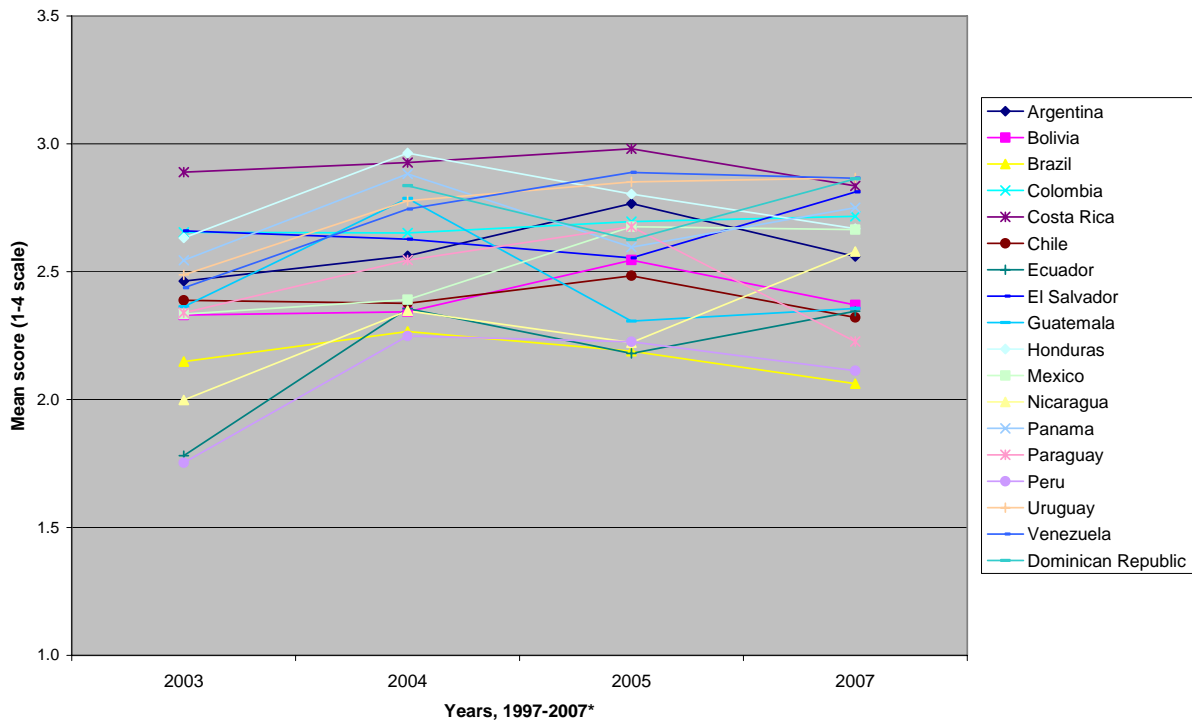


Figure 8: Satisfaction with Education Services - Time trend across countries

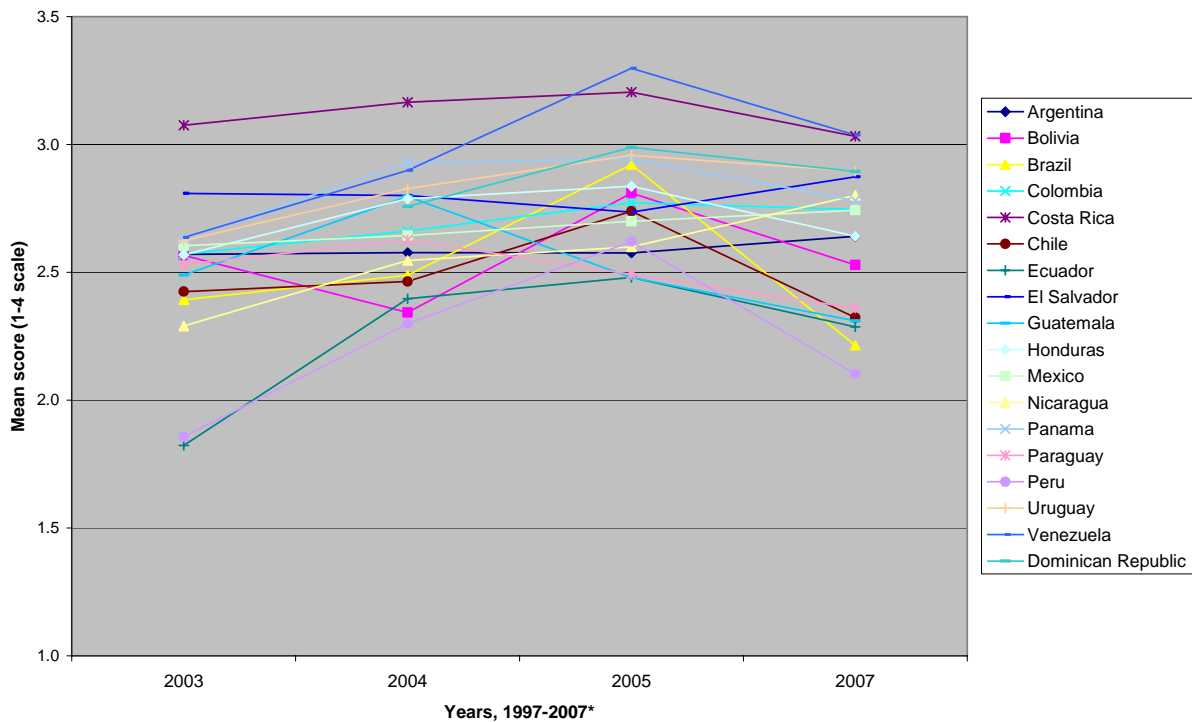


Figure 9: Fear of unemployment - Time trend across countries

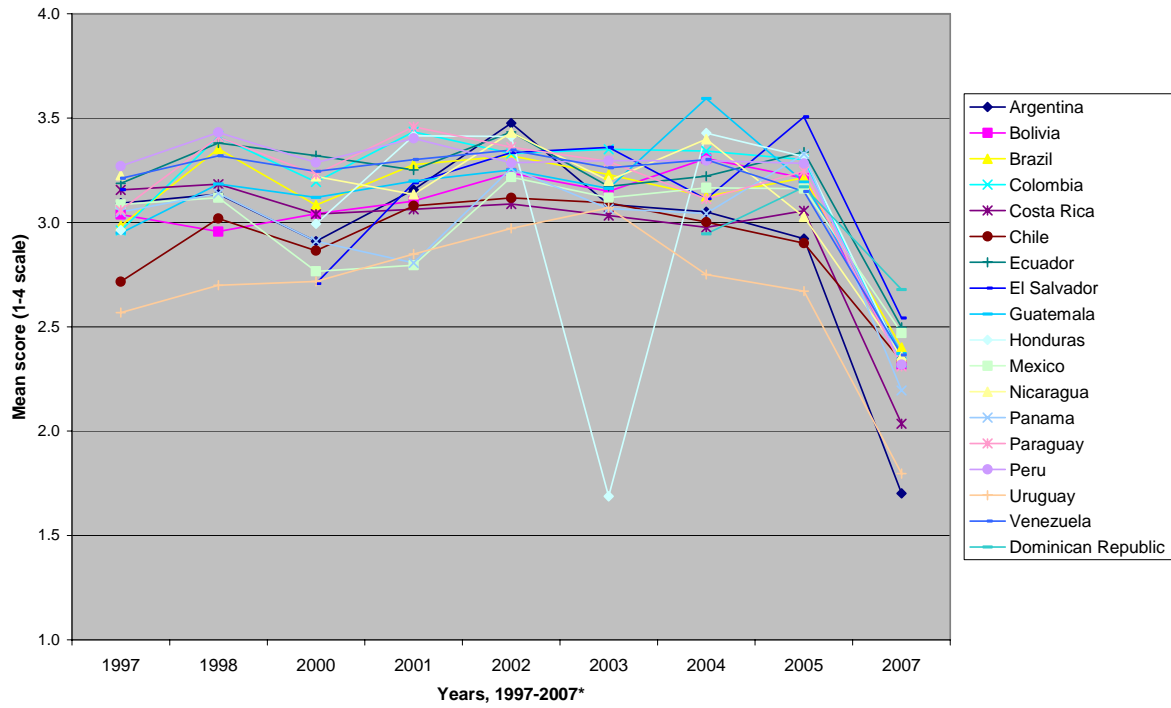


Figure 10: Satisfaction with Markets - Time trend across countries

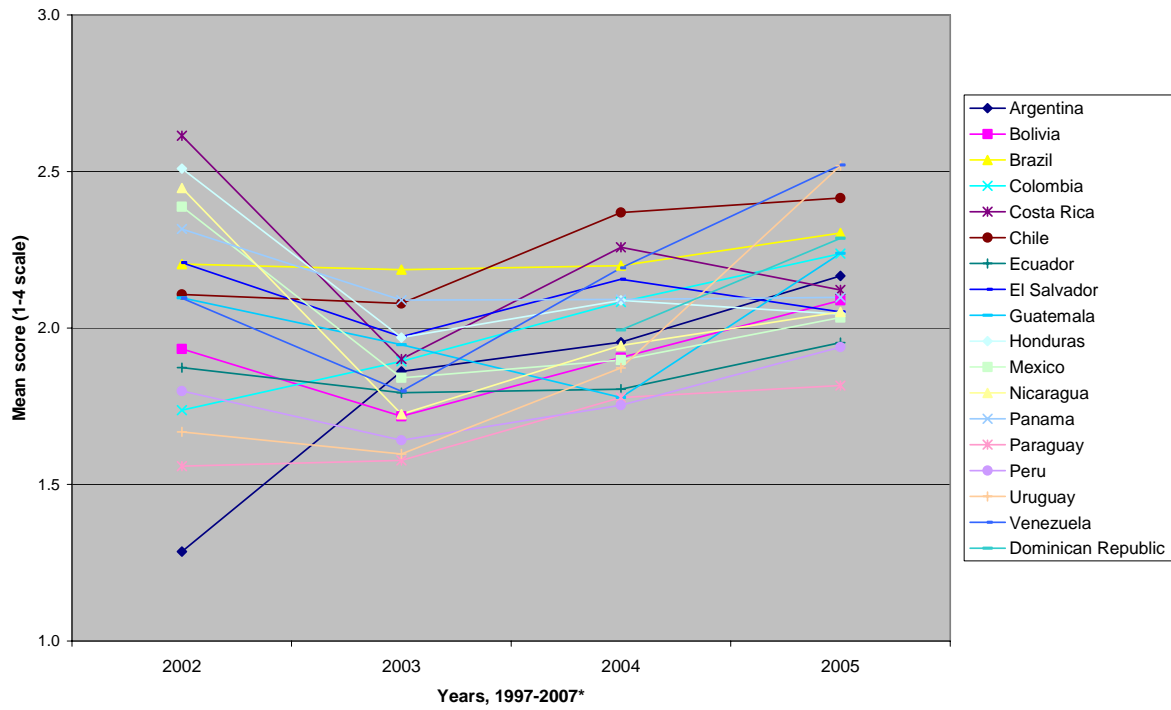


Figure 11: Satisfaction with Privatisation - Time trend across countries

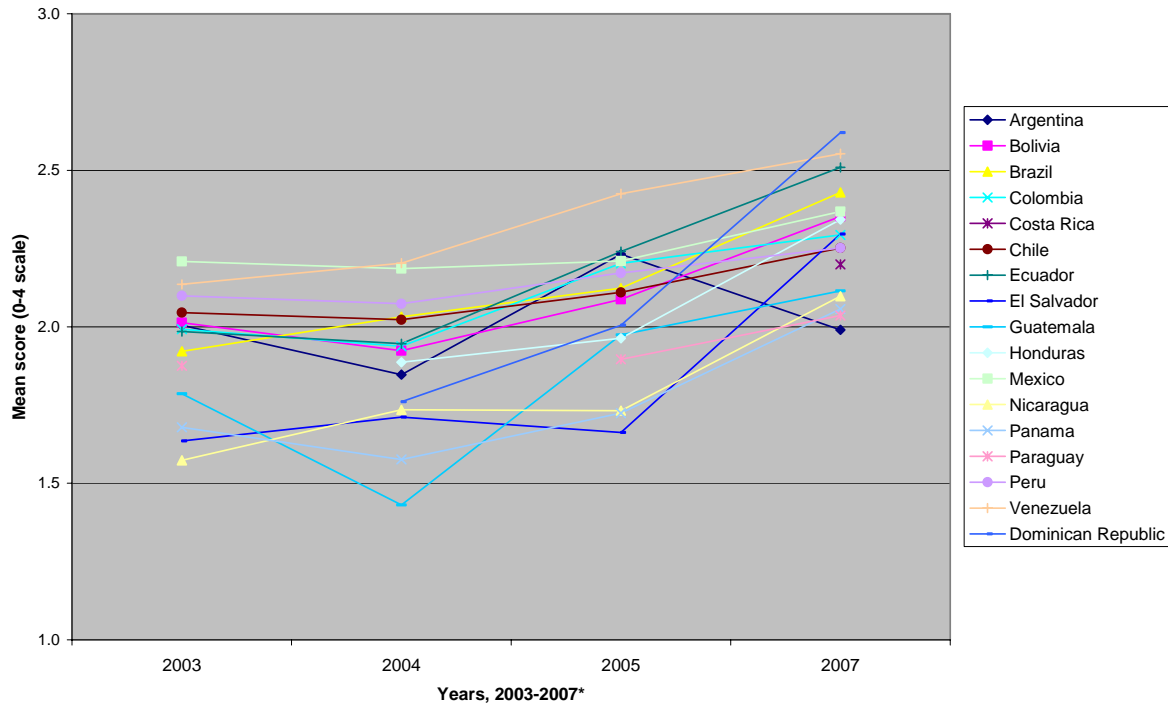


Figure 12: Opinion of the US - Time trend across countries

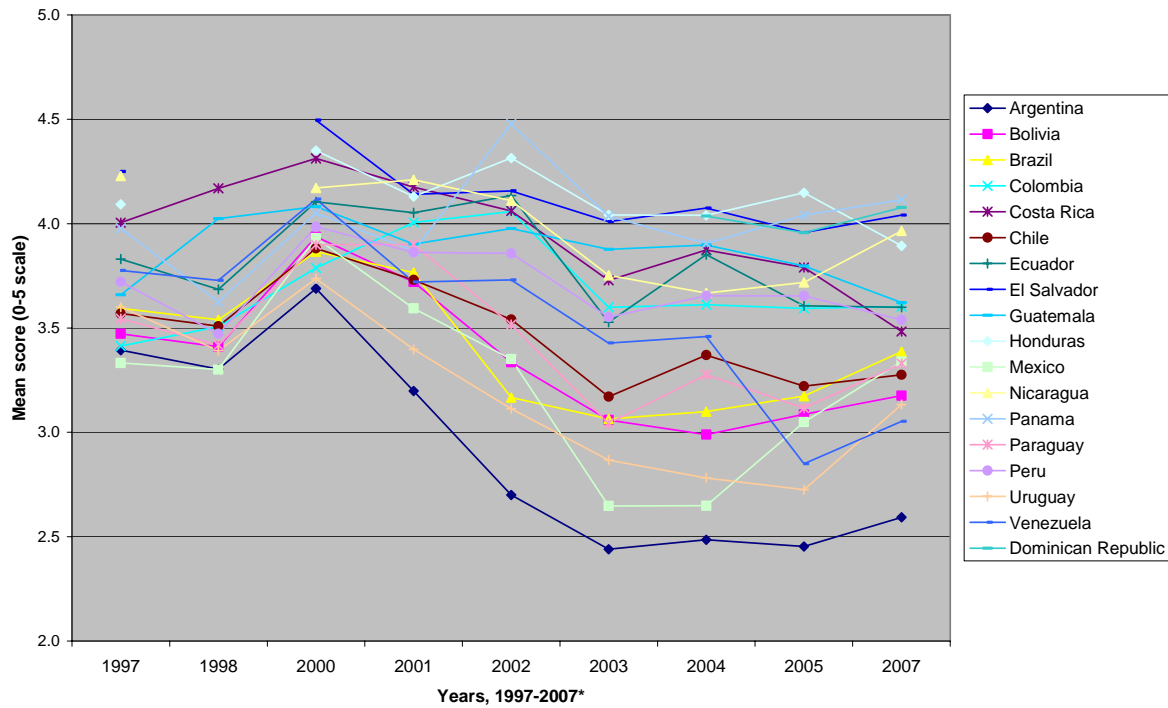
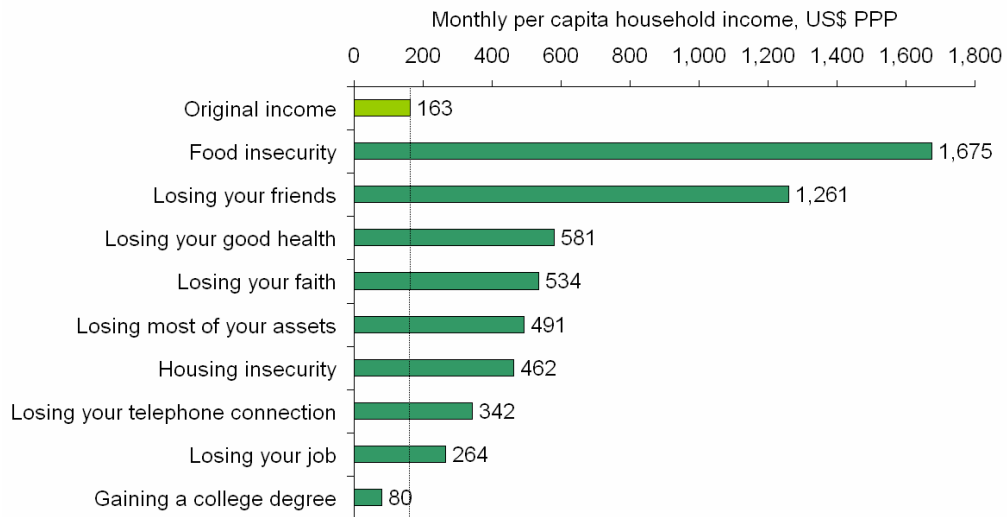


Table 1: The life-satisfaction approach

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Monetary valuation of some life satisfaction determinants

(If someone suffers a change in his life conditions, what is the new income required to compensate for the related effects?)



Fuente: IDB calculation using Gallup (2007). The person for this example is a single 30 year old woman, with no children, a high school degree, employed, with friends and religious believes.

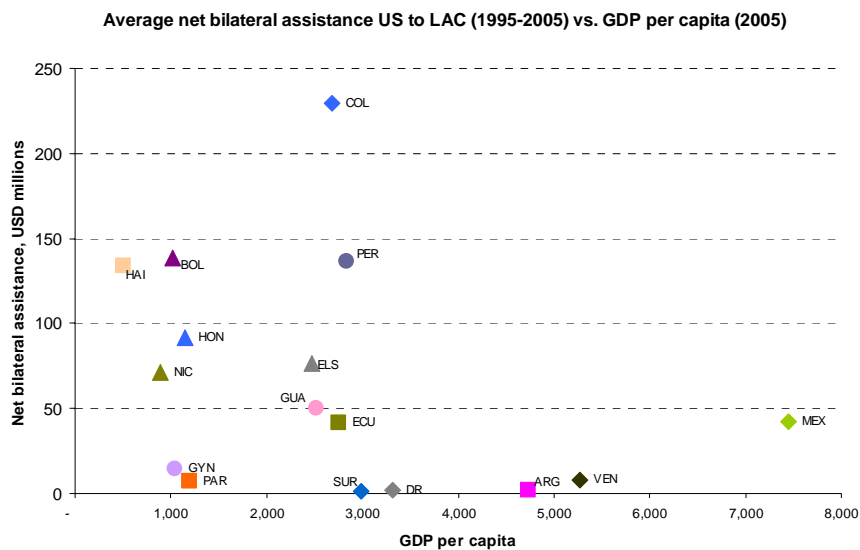
Table 2: US Perception of International Trade

Table 2: US Perceptions of International Trade		
<i>Source: CNN/Opinion Research Corporation Poll, June 26-29, 2008</i>		
	Trade as a threat	Trade as an opportunity
	(% of group respondents)	
Age cohort		
18-49 years	47%	47%
Over 50 years	56%	33%
Income cohort		
Earning less than \$50000	60%	33%
Earning more than \$50000	51%	42%
Sample size: 1026 adult Americans		

Data Snapshots: Aid²³

Countries involved in narcotics trade receive disproportionately large flows of US bilateral assistance relative to their incomes.

The remaining US bilateral resources go mainly to poor countries in Central America and the Caribbean.

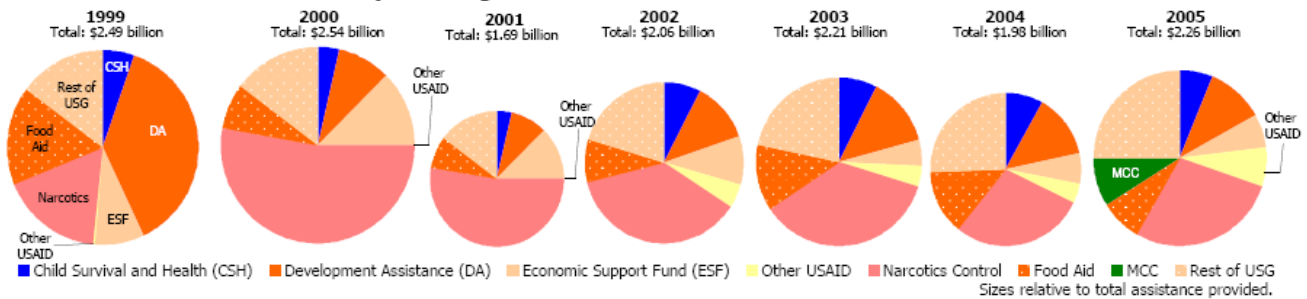


Source: Secretariat calculations based on OECD DAC data

²³ These statistics were compiled by the Commission secretariat.

US assistance to Latin America has fluctuated around \$2 billion per year, with the largest share going to counter-narcotics programs.

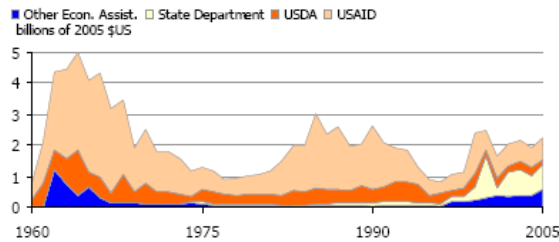
Total U.S. Assistance to LAC by Funding Account



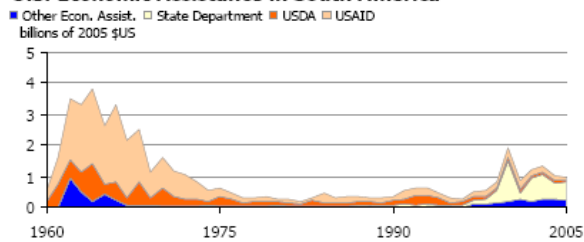
Source: Colin, David, Whitney Dubinsky, and Carl Derrick, [Latin America and Caribbean Selected Economic and Social Data](#), USAID, 2007: 147.

US assistance to Latin America is fragmented among different US government agencies and is highly volatile.

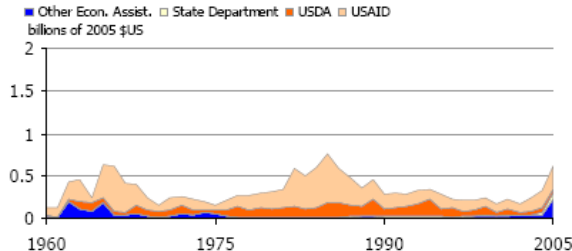
U.S. Economic Assistance in LAC



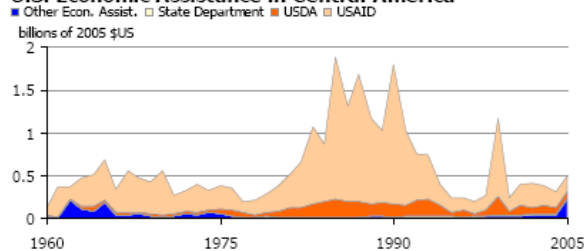
U.S. Economic Assistance in South America



U.S. Economic Assistance in the Caribbean



U.S. Economic Assistance in Central America



Source: Colin, David, Whitney Dubinsky, and Carl Derrick, [Latin America and Caribbean Selected Economic and Social Data](#), USAID, 2007: 143.