

Estimating the Impact of Economic Insecurity over Expectations in Chile and Mexico: a Multinomial Logit Approach.

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Abstract

In this paper we set out to identify which are the groups mainly affected by economic insecurity in Chile and Mexico and the shocks affecting them most. For this purpose we use panel data survey that tracks household information. We employ Multinomial Logit to analyze changes on welfare, health and wealth, and characterize them by age, employment status, education and gender. Our estimations show that changes on current welfare are the ones that have the largest effect on expectations, followed by changes on age and then health. We are able to identify the impact over expectations of most of the variables associated to economic insecurity and find that the overall direction and strength of them over household expectations are consistent with the literature. We encounter that the individuals position in the labour market, his age and education will all shape the strength of the transmission of changes to personal expectations. The parameters obtained from the Multinomial Logit allow us to identify expectations under a wide range of combinations. For example a Chilean who is 66 or older, with no high school education, poor health, unemployed and whose situation has currently worsened has 42% probability of expecting his situation to worsen and only an 11% probability that it improves, while if he was Mexican his probabilities would respectively be 47% and 14%. On the other hand, if he was Chilean, young, attended college, healthy, employee and whose situation had improved presently, he would have less than 1% probability of expecting his situation to worsen and 83% probability of expecting improvement, while if he was Mexican it would respectively be less than 1% and 95%.

JEL Subject Codes:

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