

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

A few comments

The data

- How exactly is the expectations question phrased? e.g. What is the reference period?
- Who gets asked this question? All adults? The household head? In the panel, do we know if the same person answered the question?
- Why is there so much missing data? For Chile in 2006 you have data for 1,759 individuals (out of 3,769 households or 14,558 individuals)
- For Mexico you only have 1 data point (2002). More than half the household heads declared zero incomes – but what about the rest of the household?

Interesting results

Table III.1.3

Distribution of Households by Occupational Situation and Category of Expectations

Expectations	Occupational Situation				Total
	Employee	Self-Employed	Unemployed	Others	
Improve	44.0%	46.7%	33.5%	28.1%	39.2%
Mantain	46.3%	31.1%	53.1%	54.8%	46.5%
Worse	9.7%	22.2%	13.4%	17.1%	14.3%
Total	100%	100%	100%	100%	100%

Econometric strategy

- (past) “welfare fluctuations” is an explanatory variable. But this is actually *perceived* welfare fluctuations, not an objective measure
 - since you have panel data (for Chile at least) it would be good to re-do this with an objective indicator of changed welfare

Shocks?

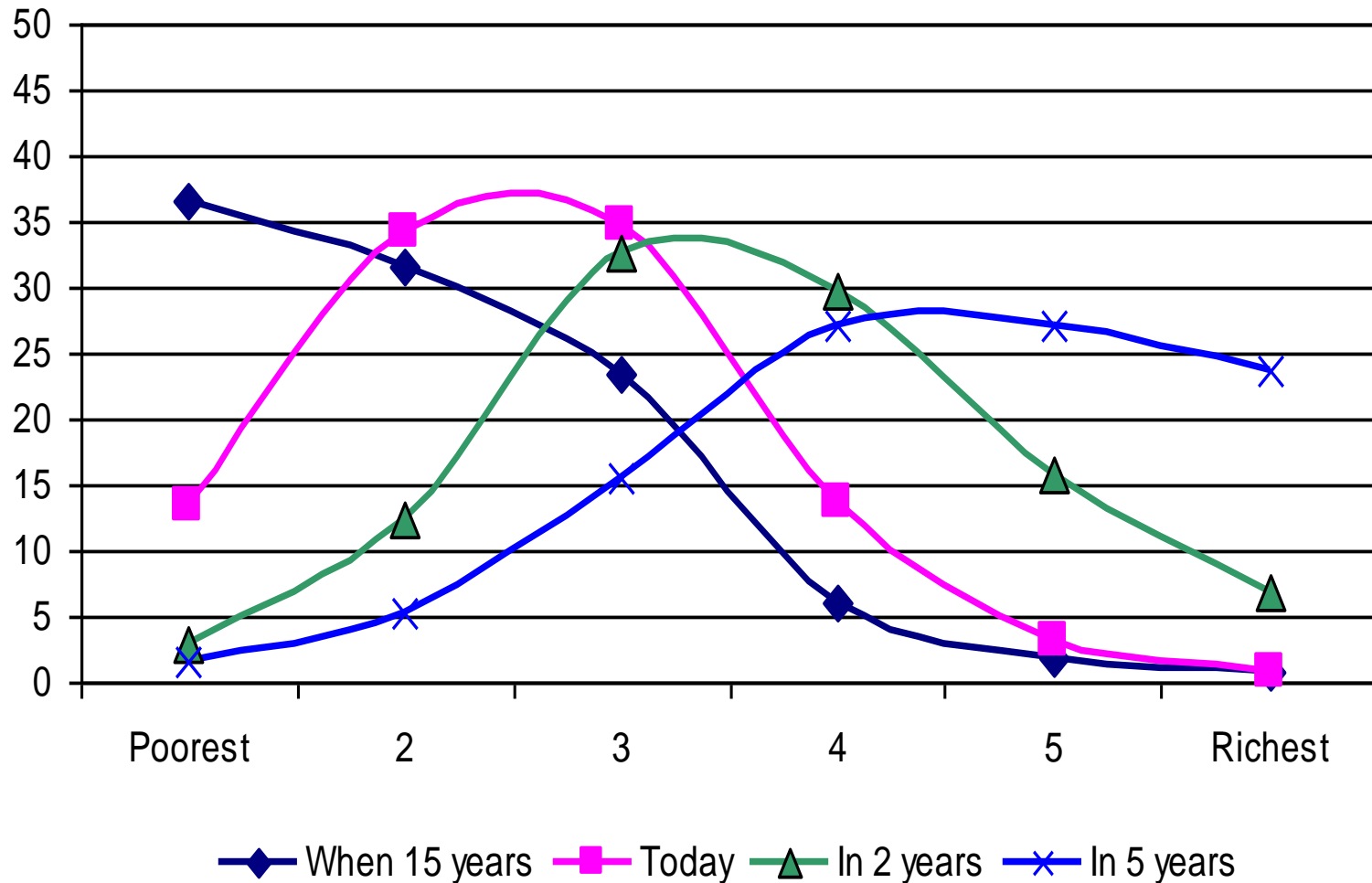
- The paper alludes to the formation of expectations in relation to the experience of shocks, but this seems under-developed?

Is “maintaining” bad?

- If a person is already doing well, then maybe its not a bad thing to “maintain” your level of well-being
- It would be good to do some descriptives based on household income levels.

Just for fun... Data from South Africa.

Imagine a 7 rung ladder with the poorest on the 1st rung and the richest on the 7th rung... Which rung are you on now? When you were 15 years old? Where do you expect to be in 2 years time? 5 years time?



Exploiting the panel

- Since you have panel data, you can see how expectations change in relation to observed events, not just perceptions of the past
- With panel data you can answer the really interesting question: to what extent people “update” based on recent events?