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DISCRIMINATION IN LATIN AMERICA: AN ELEPHANT IN THE ROOM?

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Abstract*

This paper surveys evidence on discrimination in Latin America and shows that there is a widespread perception of discrimination, especially against the poor, the uneducated and those who lack connections. The channels through which discrimination occurs may be built on the basis of economic factors. However, while perception surveys may be informative, they are less than ideal at helping pinpoint the extent and mechanisms related. Recent experimental evidence suggests little room for discriminatory practices in the region. This puzzle, where individuals perceive discrimination is in the air, but few act discriminatorily, is consistent with an explanation about stereotyping that vanishes when information flows operate well.

JEL Classification Code: J15, J16, J71, C93, O54

Key Words: Economic Experiments, Discrimination, Latin America

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1. Introduction

According to conventional wisdom, Latin America is a highly discriminatory society. This belief is hardly surprising given the prevalence of ethnic and class conflicts in the region that are rooted in history and the plethora of anecdotal information that reinforces this notion. However, whereas it cannot be argued that many societies in the region do, in fact, discriminate, the crucial questions have barely been broached. Understanding the extent of such discrimination as well as the channels through which it operates deserve special attention.

How widespread is discrimination in Latin America? The quintessential opinion survey of the region, Latinobarómetro, explores discriminatory perceptions for representative samples of the population of 18 countries.¹ As shown in Figure 1, when individuals were asked in 2001 who they think suffers the most from discrimination, they consistently, and overwhelmingly, highlighted the poor. Indigenous peoples and Afro-descendants were ranked second and third, respectively, on the same question. Interestingly, this pattern is consistent across countries of the region. In all the countries surveyed, poverty is perceived as being the main driver of discrimination. In particular, the responses vary from 14 percent in the case of Panama, to 49 percent in the case of Nicaragua. Figure 2 illustrates these results for the countries surveyed.

However, these results are not entirely consistent with the answers to a similarly worded question asked only a few years later. Starting in 2004, the same Latinobarómetro survey asked Latin Americans why they think people in their country are not treated equally. Echoing the 2001 survey results, one out of every three Latin Americans pointed towards poverty as the reason for unequal treatment. However, in a departure from the earlier poll, individuals did not identify ethnic and racial characteristics as the second and third top reasons for discrimination. Instead, lack of education and lack of connections were blamed for unequal treatment. One interpretation of these results is that Latin Americans now consider "economic" factors more important than "social" factors in explaining unequal treatment. Figure 3 shows the ranking of reasons for the whole region, and Figures 4a through 4e show how the perceived reasons for unequal treatment vary from one country to another. While poverty is considered the number one cause of discrimination in the Dominican Republic and Nicaragua, lack of education tops the list of reasons in Guatemala. Lack of connections, which ranks third in the region overall, is viewed as

the most important reason for unequal treatment in Mexico, Colombia and Panama. Skin color raises important concerns in Brazil and to a lesser extent in Bolivia. The percentages of respondents who answered, "Everyone is treated equally in (country)" varies from 16 percent in Peru to 2 percent in Mexico, Paraguay and Chile. The cases of Paraguay and Chile are interesting, as none of the reasons cited for unequal treatment are assigned great importance. Nonetheless, very few people in these countries state that everyone is treated equally there. The subtleties of discrimination are not well captured by the survey in these two countries.

The most recent Latinobarómetro survey, for 2006, further complicates the picture. In addition to the reasons for unequal treatment cited in the 2004 and 2005 surveys, a new option allowed individuals to state that they did not feel discriminated against at all. Interestingly, nearly 24 percent of the surveyed individuals chose this response, making it the new top answer. The relative ranking of the rest of the reasons for unequal treatment remained almost unaltered. The only difference, if any, is that being old ranked ahead of not having connections for the first time in 2006. As before, skin color, gender, and disabilities were not ranked high as characteristics suffering from discriminatory behaviors. These results are shown in Figure 5.

In Europe, as opposed to Latin America, the characteristics that the population perceives as being the drivers of discrimination (or disadvantaged treatment) are more "social" than "economic" in nature. Eurobarometer, the European opinion survey, dedicated a recent special issue (European Commission, 2007) to exploring discriminatory perceptions in the EU25. The four groups ranked by surveyed respondents as the most disadvantaged were the disabled, the Roma (Gypsies), those aged over 50 and those of a different ethnic group than the rest of the population. These characteristics come closer to what conventional wisdom would dictate in terms of groups discriminated against.

The fact that the characteristics typically linked to discrimination register low on the opinion surveys in most countries in Latin America is in itself quite remarkable. Perhaps societies in the region do not discriminate on the basis of ethnicity, race or gender as much as conventional wisdom suggests. Alternatively, the individuals surveyed are being "politically correct" and thus, reluctant to reveal their true beliefs for fear of retaliation. Then again, the problem may be that the factors indicated in opinion polls as being the ones most discriminated

¹ The countries surveyed by Latinobarómetro are Argentina, Bolivia, Brazil, Colombia, Costa Rica, Chile, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

against are categories that do not in fact capture poverty per se but characteristics that respondents associate with poverty. In fact, perhaps the perception of discrimination by poverty may be highly correlated with other variables such as the general economic condition of the population or with categories that are more traditionally linked to variables that influence discriminatory practices. Countries that are relatively homogeneous in terms of race are countries in which the perception of poverty as a key discriminatory problem is relatively low. For instance, this is the case in Uruguay, where only about 20 percent of respondents link discrimination with poverty. By the same token, countries that have more racial diversity are those in which respondents indicate that poverty is a crucial discriminatory issue. This is the case in Peru, where nearly 41 percent of respondents cite poverty as the most important reason for unequal treatment. Along these lines, Figures 6 and 7 show scatter plots and simple correlations between basic economic variables and perceptions of discrimination. Figure 6 shows that the perception of discrimination by poverty is accentuated in smaller economies. Conversely, Figure 7 suggests that people in less unequal societies are more apt to view their environment as non-discriminatory.

Given the above, select countries in the region have recently pursued methodological efforts in order to gain more precise knowledge about the perceptions of discrimination. For example, researchers in Peru have adapted the discrimination scales of the Detroit Area Study of 1995 (National Survey of Exclusion and Social Discrimination; Demus, 2005) and found that 88 percent of a representative sample of Peruvians report having experienced at least one situation of discrimination. In Mexico, the results of the First Mexican Survey of Discrimination in Mexico (Sedesol, 2005) show that nine out of every 10 individuals with certain characteristics (disabilities, an indigenous background, homosexual orientation, advanced age, or membership in religious minorities) think discrimination exists in their country. The Survey of Perceptions of Racism and Discrimination in Ecuador (Secretaría Técnica del Frente Social, 2004) reveals that, while 62 percent of Ecuadorians agree that there is racial discrimination in their country, only 10 percent admit to being openly racist; Afro-descendants are the group perceived to suffer the greatest discrimination in Ecuador. These are three prominent examples of how perceptions of discrimination have been approached in the region with ad hoc surveys. However, most of these and related surveys, while specialized, suffer from potentially confusing biases similar to those described above (Bertrand and Mullainathan, 2001).

Interestingly, the perceptions of discrimination of Latin Americans are also reflected in the public discourse. Soruco, Piani and Rossi (2007) document the intricacies of discriminatory attitudes in the media regarding migrants (or their families) in Cuenca and San Fernando, Ecuador. When analyzing the content of newspaper articles referring to migration during September 2005 and February 2006 they found much discriminatory discourse. They highlight that the traditional discrimination against peasants and indigenous population has taken a new form as discriminatory attitudes against migrants who, after returning home, bring back from abroad "westernized" attitudes and behaviors.

This panorama of perceptions and public discourses about discrimination in Latin America is an important step towards understanding the magnitude of the problem, but it is still only relatively useful in understanding the mechanisms through which discrimination occurs and the welfare costs of it. Nonetheless, as Figures 6 and 7 suggest, the perceptions of discrimination (or the lack of it) may be associated with economic outcomes such as the size of the economy and income distribution. An economic analysis of discrimination, beyond perceptions, is greatly needed. An appropriate understanding of the mechanisms through which discrimination occurs, and of the economic implications of related processes, is essential for the appropriate design of policies.

2. Beyond Opinion Polls

In order to analyze discrimination from an economic perspective it is not enough to use information on the perceptions of individuals. These data are informative only to the extent that they may exert influence on individuals' economic decisions, actions and outcomes. It is precisely in relation to outcomes that the economic literature has shed light on discrimination, and it is therefore worthwhile to outline a few working definitions of discrimination from the international economic literature for purposes of clarity and providing perspective on the studies described in this section.

Discrimination is a process that may take place under different circumstances or markets and based on different discriminatory characteristics such as race, ethnicity, gender, disability and migratory condition, to name a few. Altonji and Blank (1999) provide a definition of discrimination circumscribed to labor markets: "...[it is] a situation in which persons who

provide labor market services and who are equally productive in a physical or material sense are treated unequally in a way that is related to an observable characteristic such as race, ethnicity, or gender. By 'unequal' we mean these persons receive different wages or face different demands for their services at a given wage." This is the unequal treatment for the same productivity definition, which outside of labor markets would read unequal treatment for the same characteristics. And as we mentioned before, some characteristics are harder to observe than others. One avenue to better understanding discrimination along these lines would be to design studies aimed at uncovering the unobservables as much as possible. Before delving into this further, it is useful to distinguish between preference-based discrimination (people treating members of certain groups differently simply because they do not like them) and statistical discrimination (people using group membership as a proxy measure for unobserved characteristics). The latter corresponds to the popularly held notions of stigmatization or stereotyping. For instance, employers who assume that Afro-descendants have abilities to perform certain manual tasks and not necessarily others of intellectual nature may not offer the same opportunities for white-collar jobs to Afro-descendants. This could be a situation in which an Afro-descendant does not even get into the door for an equal comparison of observable human capital characteristics between him/herself and somebody else. Stigmatization in this sense constitutes a form of discrimination that complements the notion of unequal treatment for the same characteristics.

Enriching the discussion, the Panel on Methods for Assessing Discrimination (2004), although confined to racial discrimination, complements the previous definition by extending it beyond labor markets. They "...use a social science definition of racial discrimination that includes two components: (1) differential treatment on the basis of race that disadvantages a racial group and (2) treatment on the basis of inadequately justified factors other than race that disadvantages a racial group (differential effect). Each component is based on behavior or treatment that disadvantages one racial group over another, yet the two components differ on whether the treatment is based on an individual's race or some other factor that results in a differential racial outcome." This second component serves to reveal certain hiring and promotion practices, for example, as unintendedly introducing (or accentuating) discriminatory outcomes. Under the lenses of this distinction, economic attempts to measure and disentangle discrimination have focused on the first component, unequal treatment.

The literature in the region has tried to quantify discriminatory outcomes by means other than opinion polls. The topics of interest have been diverse, ranging from income differences to limited participation in labor markets (limited access to human capital, segregation, differences in returns to human capital characteristics, limited access to jobs, and informality), limited access to health care services, education, and physical infrastructure and housing, lack of political representation, social protection and security (victimization). Gandelman, Ñopo and Ripani (2007), for example, engage in an exhaustive attempt to document the literature in the Latin American region that addresses differences in the topics mentioned above with respect to race, ethnicity, migratory condition, disabilities and gender (as a cross-cutting category).

To put things in context, it is worth discussing one of the typical examples of the literature: studies of racial discrimination in labor income generation. In this case, efforts have focused on documenting earnings differentials between females and males; or indigenous and non-indigenous people; or Afro-descendants and whites. Comparisons of hourly labor earnings (wages or self-employment income) suggest the existence of significant gaps. Depending on the estimates considered, non-indigenous workers earn between 80 percent and 140 percent more than indigenous ones. However, non-indigenous workers exhibit human capital characteristics that are, on average, more desirable than those of indigenous workers. The most notorious of these characteristics has been education (schooling), but there have also been differences in labor market experience and field of specialization. In a panorama like this, to attribute the whole earnings gap to the existence of labor market discrimination in pay would be misleading. At least a component of it can be attributed to differences in observable human capital characteristics that the labor market rewards and, hence, is non-attributable to the existence of discrimination. With econometric techniques the literature has been able to identify, to some degree, the magnitude of this component. For the example of racial earnings gaps, the literature has shown that these differences in human capital characteristics account for more than one-half of the documented earnings gaps.²

The evidence of discrimination (or, more precisely, earnings gaps that can not be explained by differences in productive characteristics of individuals) that this type of study has found is significantly smaller than what a simple comparison of earnings would suggest. Nonetheless, these studies are subject to a several critiques. The most common has been their

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² For more details on these issues see Gandelman, Gandelman and Rothschild (2007).

failure to truly identify discriminatory behaviors due to the presence of "unobservable characteristics." That is, the human capital characteristics that these studies can typically analyze are only those that are easily observable (schooling, labor market experience, field of specialization, sector choice, etc.), but there are others, not as easily observable, that also help to explain earnings gaps. Good examples of these unobservable characteristics would be entrepreneurship attitudes, motivation, work ethic, commitment and assertiveness. These are typical characteristics that a researcher cannot capture in a survey (and in that sense, cannot "observe") but an employer, or more generally, the relevant actors in the labor market, can better observe and act accordingly. If there were regular differences between indigenous and non-indigenous in some of these "unobservable characteristics," the components of the earnings gaps attributable to discrimination would be overestimated. The literature has moved then towards different attempts to "observe the unobservables," that is, trying to capture, with research methods, the richest possible information that the relevant actors in the markets face in making their decisions.

3. Can Unobservables be Observed?

Very recent research, mostly sponsored by the Inter-American Development Bank in the region, has found mixed evidence for the unequal treatment definition of discrimination. There have also been attempts to disentangle preference-based and statistical discrimination, and the evidence suggests that Latin Americans do not exert discrimination of the former type. One interesting attempt to assess social class discrimination with a rich set of data has been Gutiérrez and Núñez (2004). The authors of this study utilized administrative records of alumni of a university in Chile where they had access to school performance variables on top of the traditional human capital variables that the studies have used. This allowed them to uncover some of the traditional unobservable elements of individual productivity. To assess class differences they asked a pool of individuals to rate the extent to which they believed a surname belonged to a high-class or a low-class category. Their results suggested the existence of some sort of "classism" in Chile. Individuals with surnames perceived as being part of the high class had earnings significantly greater than those of individuals with surnames perceived as being from the lower class, even after controlling for human capital characteristics that included school-performance indicators. Bravo et al. (2007b), following the same approach of interviewing college alumni, studied

gender differences in labor market earnings among graduates from Business, Law and Medicine at the same university, finding evidence of unjustified gender differences in earnings only in the legal profession. The gender differences they found in the Business/Economics profession vanished after controlling for family conditions. The gender differences among alumni of the medical school vanished after controlling for hours worked, firm size and geographic region.

Along a different line, Bravo et al. (2007a), replicated in Santiago, Chile the standard hiring audit study by mail (see Riach and Rich, 2002). They sent resumes of fictitious applicants to the job postings that appeared in the Santiago newspapers of wider circulation. The "synthetic" resumes were created such that for each job posting they sent female and male applicants, with high-class and low-class surnames, and from wealthy and poor municipalities (neighborhoods). With these variations by gender, surname and municipality they randomly created human capital characteristics as well as labor market histories for their fictitious applicants. During the period from March to August 2006, they sent 6,300 resumes to the job postings and recorded the callbacks received by their fictitious applicants. They found no systematic differences in callback rates by either gender or surname or municipality. This surprising result contrasts with the other results found by Bertrand and Mullainathan (2004), who originally applied this methodological approach and found substantial differences in call back rates for fictitious applicants with Black-sounding and White-sounding names in job applications made in Chicago and Boston. The result suggests that Chilean employers, or at least those who post their job vacancies in the newspapers, do not act discriminatorily in the first rounds of their process to fill their vacancies.

Moreno et al. (2004), inspired by the same audit study methodology, designed a field experiment to detect discrimination in hiring in Lima, Peru. Instead of creating a sample of synthetic resumes to be sent to the job postings, they monitored the functioning of the job intermediation service of the Ministry of Labor. The enriched design allowed improving over the traditional audit studies since it measured actual job offers and not only callbacks. When trying to detect discriminatory outcomes in job hiring by race and gender they found no significant differences across groups. Males and females as well as white-looking and indigenous-looking applicants were equally likely to recieve job offers in the three occupations of the study: salespersons, secretaries and (administrative and accountant) assistants. The design of the study also allowed the authors to interview the applicants before the job interview. In these interviews

they were able to capture a rich set of human capital characteristics that were used to control the results of the study. One of the aspects explored in the interview was expectations/motivations; and they found an interesting result along those lines. When they asked individuals "how much would you like to earn at this job for which you are applying?" they found no race differences but significant gender differences. Females asked for wages that were between 6 percent and 9 percent lower than those asked by their male competitors, even after controlling for a rich set of observable characteristics. This reveals some sort of self-discrimination or self-punishment in labor markets (for similar evidence in the U.S. see Babcock and Laschever, 2003).

Cárdenas et al. (2007) constitutes another example of the experimental economics literature for understanding discrimination. They applied a battery of games (dictator, distributive dictator, ultimatum, trust and third party punishment) to a sample of people involved in the provision of social services, at both sides of the counter: beneficiaries and public officials. To properly measure the behavior of public officials they also gathered information on non-public officials in order to be able to generate the counterfactuals of interest. Within this setup they tried to measure the extent to which individuals who work in the provision of social services to the poor discriminate against the beneficiaries of those services. Across the board, they found an interesting pro-social behavior on the part of the average player. Public officials stated having more pro-social norms than their non-public official counterparts. However, when facing real economic incentives in the field, public officials showed lower levels of fairness—altruism, trust and social punishment—when compared to non-public officials. Both public officials and their control group favored women and households with lower education and more dependents (especially if the dependents were children). On the other hand, ex-combatants, street recyclers, street vendors and people living in common-law unions received less favorable treatment.

Castillo, Petrie and Torero (2007), in another experimental setup, detected some stereotyping among a representative sample of young Lima residents that vanished after information about performance was publicly revealed. Using a repeated linear public goods game they measured the extent to which people trust each other and engage in reciprocal behavior. In these games, each subject was given a 25-token endowment and asked to decide how to divide it between a private and a public investment, which had different returns that depended not only on the individuals' decisions but also on the decisions of their peers. They found that people do use personal characteristics of others when given the opportunity to choose

partners, showing evidence of stereotyping. This happened in favor of women, tall and white-looking people. However, when the individuals are given information about the past performance of other players, the information that was previously used to stereotype does not seem to matter any more. The information inflow about performance of individuals overrides the beliefs individuals had before that inflow. In the presence of an information shortage, performance-optimizers individuals relied on observable characteristics as proxy measures of performance, stereotyping their peers in this way. Whenever such stereotyping proved to be sub-optimal for their performance-maximizing objectives, the players stopped using it.

Along similar lines, within a simplified setup, Elías, Elías and Ronconi (2007) performed a study of group formation and popularity among adolescents in Argentina. The experiments they ran in a sample of classrooms in Buenos Aires and Tucumán consisted of asking students to rank their classmates according to their preferences to form a team. The students were also asked to assess the beauty of their classmates. This subjective information about students was then complemented with grades, disciplinary actions, participation in scholarship programs and tenure at the school from administrative records. Interpreting the aggregate rankings of the students as measures of popularity, they found no role for either ethnicity or skin color or parental wealth and nationality as explanatory factors. The only factor they found important in determining popularity was academic performance. Beauty was found important only in mixed schools. Interestingly, they also found preferences for assortative mating in the sense that there was a strong correlation between the students' academic performance and that of their corresponding top choice in the rankings. Similar results were found for beauty, parents' education and gender.

Along different lines, testing the hypothesis of differential treatment in the courts on the basis of gender, Gandelman, Gandelman and Rothschild (2007) went to the field to document housing-related cases in Uruguay. Using data for 2,437 cases involving foreclosure proceedings, annulment of purchase agreements, actions in rem, annulments of promissory purchase agreements and evictions, they analyzed the role of the gender composition of the defendant household on the duration of the process. They found a strong correlation between the presence of women and the prevalence of time extension in the processes, after controlling for a set of covariates. Judges were more lenient with women across the board.

4. Conclusions

Discrimination is well-rooted in the Latin American collective subconscious, and most individuals in the region believe there is some sort of discrimination. Nonetheless, when asked about the reasons for this discrimination, most people in the region do not believe that it operates against the groups traditionally discriminated against (indigenous, afro-descendants and women, to cite the most prominent, historical examples); they instead believe that the poor are the ones who suffer the most. After the poor, Latin Americans believe that the uneducated and those who lack proper social connections are those who suffer discrimination the most. These perceptions of the identity of the discriminated groups pose interesting and challenging questions for the research agenda, pointing toward the existence of some sort of discrimination that exists on the basis of economic reasons, rather than others of biological or sociological nature.

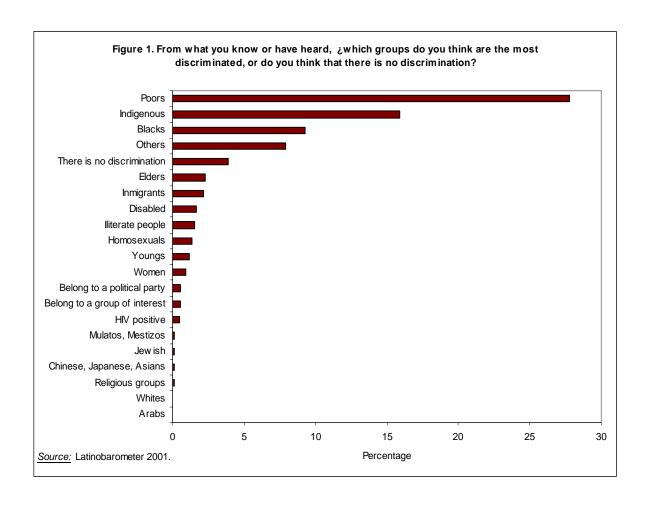
But an economic analysis of discrimination requires more than information about perceptions. It is necessary to explore economic decisions and their outcomes. The economic literature in the region has advanced towards an understanding of discrimination by analyzing outcomes. Examples have been seen in labor market (wages/earnings, occupations, formality), access to public goods and services (education, health, security) and political representation, among other areas, and we now have well-documented outcomes in most of these markets by gender, race and ethnicity. The unfavorable situation of minority groups has been stressed. However, the documentation of differentiated outcomes is not necessarily proof of discrimination, as the presence of unobservable factors limits the possibility of assessing racial or ethnic discrimination. As it is very difficult to properly identify discrimination (as there are too many unobservable elements), it is even more problematic to attempt to quantify its economic impact.

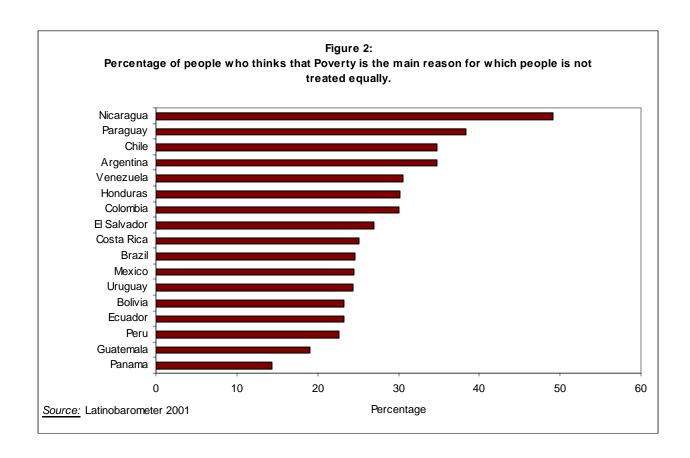
This paper has shown the results of recent empirical research performed in the region, towards the goal of understanding discrimination and its channels, using tools that emphasize efforts to "observe the unobservables." Interestingly, many of the results obtained from controlled experimental setups seem to contradict the idea that Latin Americans act discriminatorily nowadays. The evidence found points towards the existence of stereotyping that vanishes when information is revealed. To some extent, there is also evidence that some sort of self-discrimination partially explains discriminatory outcomes. Both stereotyping and self-discrimination are behaviors that may simply result from equilibrium situations in which the

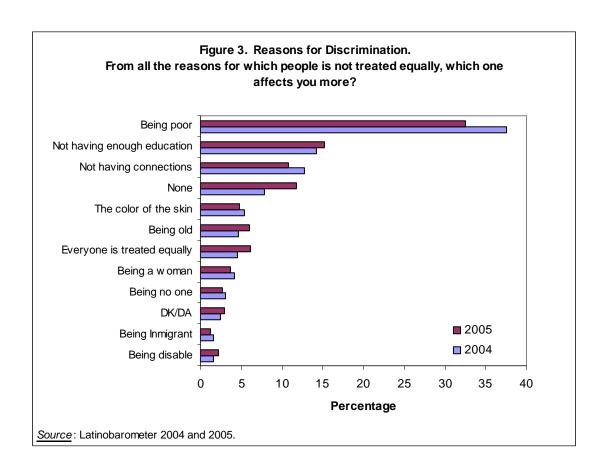
agents in markets present substantial differences in endowments. Under these kinds of circumstances, labor markets (or the other markets analyzed in this paper) simply operate as resonance boxes that amplify differences that exist in other spheres. These are avenues where more research needs to be undertaken in order to understand the mechanisms underlying these behaviors.

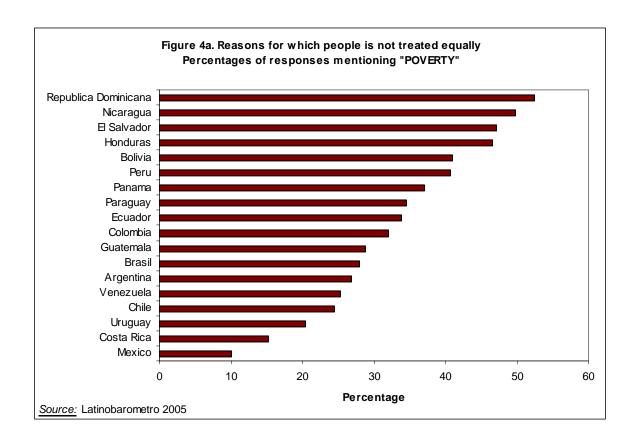
How can these generalized perceptions about discrimination coexist with the lack of evidence of discriminatory behaviors? Is there a way to reconcile this apparent mismatch? This paper closes by proposing two explanations to the puzzle. On the one hand, it could be that in many other transaction points, not analyzed yet by the experimental literature, there is evidence of discriminatory behavior. Along these lines it should be emphasized that there is a price to be paid for obtaining a deeper understanding of the functioning of discriminatory behavior and increasing the ability to "observe the unobservables." The gains in specificity of these studies come at the cost of bounds on the possibilities of generalizing the results (reduced external validity). The sample of studies outlined here does not exhaust either the set of relevant transaction points or the inter-group interactions. Hence, more research is needed.

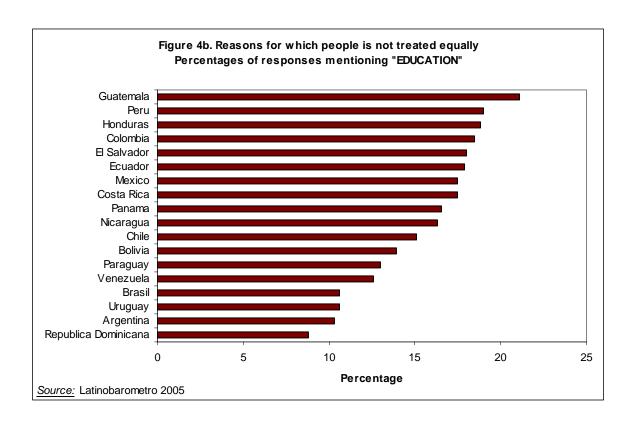
On the other hand, it is clear that in their daily activities most Latin Americans observe substantial differences in human, physical, financial and social assets that are associated with gender, racial, ethnic and class distinctions. However, these differentiated outcomes do not necessarily emerge as a result of the discriminatory practices of Latin Americans today. Unfortunately, the confusion between differentiated outcomes with discrimination has been commonplace in the academic discussion. This, in turn, has automatically translated to public discourse and to collective memories, and the extremely unequal distribution of wealth and assets reinforces the generalized notion that there is discrimination in Latin America. An important step towards understanding the issues and the proper design of good policies must recognize the differences between these facts, as they require different responses from governments, states and societies. It is important to clarify the discussion in order to move forward.

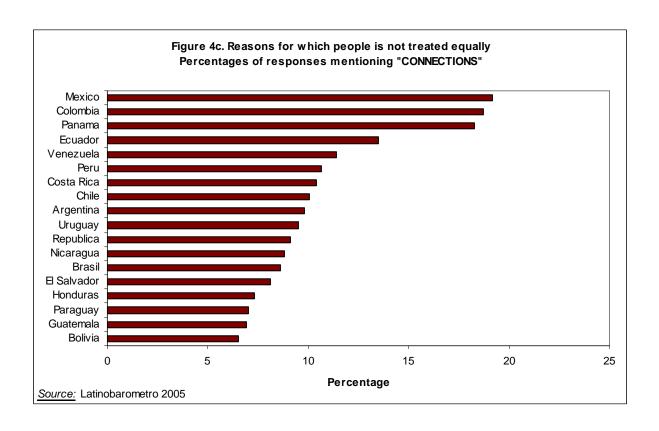


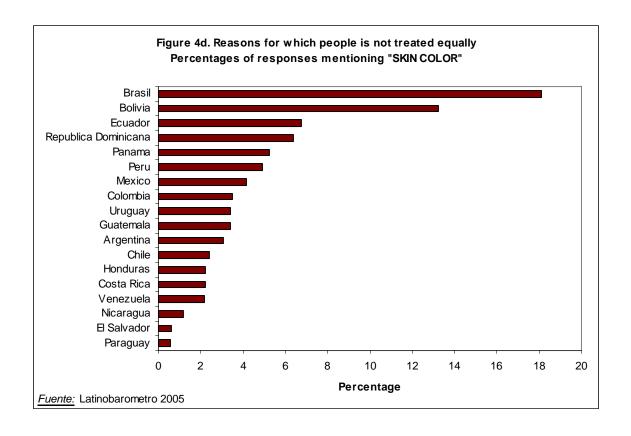


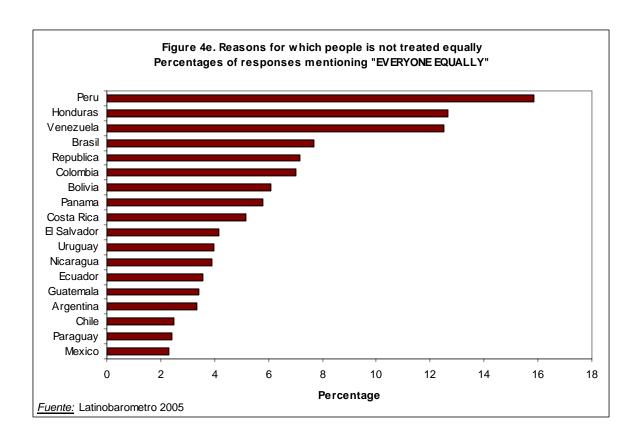


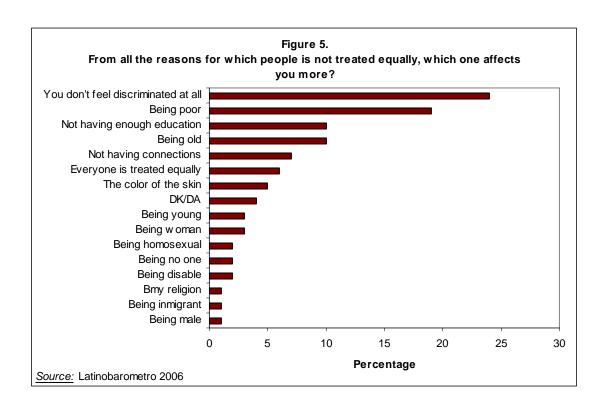


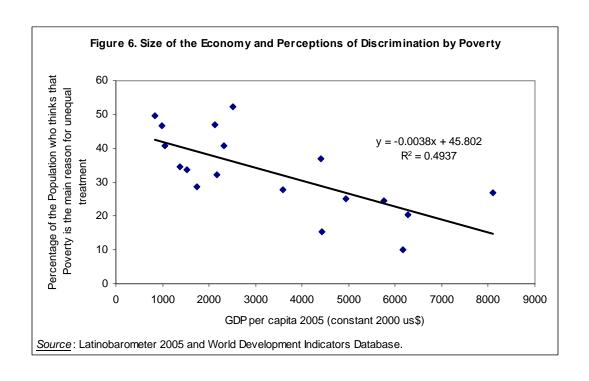


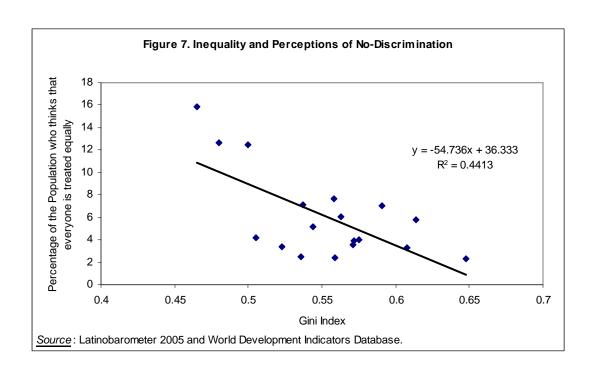












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