

The Political Economy of Opting Out from Public Services in Latin America

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Latin America has experienced massive economic and political transformations

Wide expansion of education & increased social spending

Still, the distribution of income and opportunities remains uneven

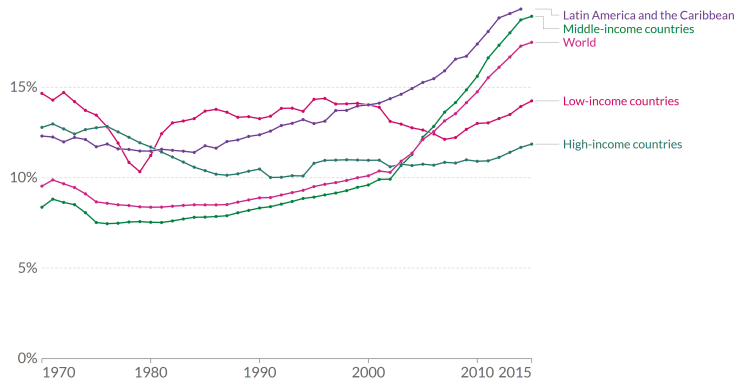
Scholars and policymakers suggest that the social contract in the region is fragmented, and point to the opting out from public services as an alarming trend

The share of school-aged children attending private schools is on the rise

Share enrolled in private institutions at the primary education level, 1970 to 2015



Shown is the of students in primary education enrolled in institutions that are not operated by a public authority but controlled and managed, whether for profit or not, by a private body (e.g., non-governmental organization, religious body, special interest group, foundation or business enterprise)



Source: UNESCO Institute for Statistics

OurWorldInData.org/primary-and-secondary-education • CC BY

Our paper examines:

1. Where and who is opting out from public education?
 - ▶ Data from harmonized household surveys
2. Why are households opting into private schools?
 - ▶ Review of the literature
 - ▶ Data from harmonized household surveys
3. What are the consequences of the opting out from public services for the social contract?
 - ▶ Data from LAPOP and Latinobarometro

Three arguments about opting out:

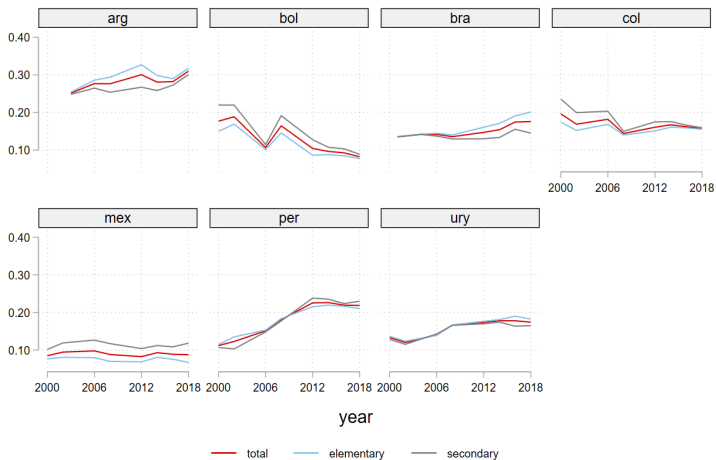
1. **Institutionalized exit:** Households who are dissatisfied with public education **exit**, instead of using their **voice** to improve the service (Hirschman 1978)
2. **Fiscal trap:** Households who do not use the service prefer less spending and less taxes. If **political power is unequally** distributed, then opting out leads to a high-inequality trap (Bénabou 2000, Ferreira 2001, López-Calva et al. 2014, Cárdenas et al, 2021)
3. **Social affinity/contact theory:** **Distance/lack of interaction** across social classes undermines support for redistribution (Londoño-Velez 2022, Franko and Livingston 2020, Rao 2019, Lupu and Pontusson 2011)

Where are school-aged children attending private schools?

We study seven countries in Latin America circa 2002 - 2018
(Argentina, Bolivia, Brazil, Colombia, Peru, Mexico, Uruguay)

Data comes from harmonized household surveys

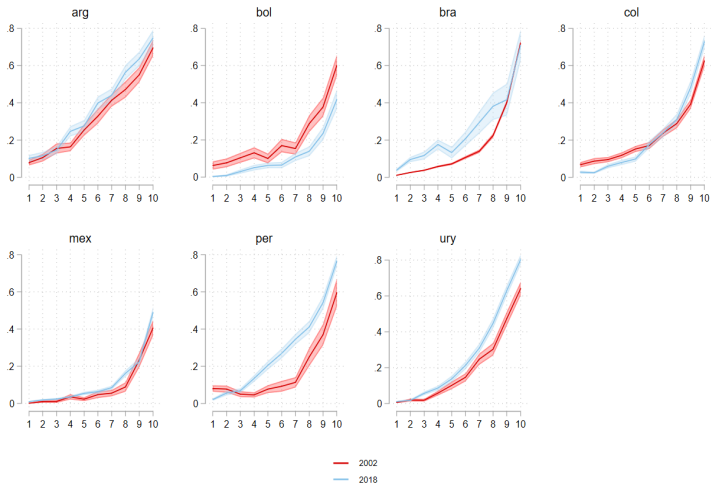
Enrollment in private schools over time



Graphs by cntry

Source: Author's calculations using Harmonized Household Surveys

Income deciles and private enrollment in 2002 and 2018



Source: Author's calculations using Harmonized Household Surveys, 6-18 yr olds
OLS w/out controls

Why are households sending their children to private schools?

Broad arguments explaining the opting out:

1. Differences in the “instructional” quality of public and private education (OCDE 2010, Ferreira et al. 2013; Elacqua et al. 2018, López-Calva et al. 2014)
2. Differences in a “non-instructional” dimension (networks, social capital, cultural capital) (Álvarez-Rivadulla et al. 2022, Bourdieu 1984, Cárdenas et al. 2021, Méndez & Gayo, 2019)

Measuring segregation of low income children in public vs. private schools

We use the Dissimilitude Index:

Proportion of students of Q1 group that should change type of schooling so that there is a homogeneous distribution among schools

$$D = \frac{1}{2} \sum_{i=1}^k \left| \frac{x_{1i}}{X_1} - \frac{x_{2i}}{X_2} \right|$$

i : type of school (public/private)

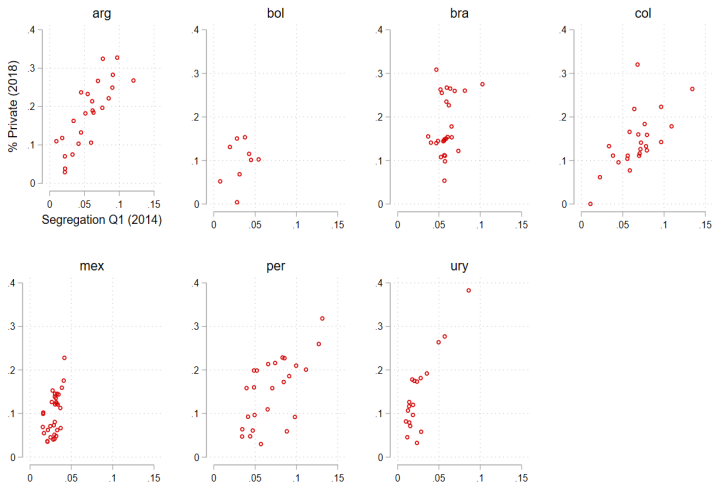
x_{1i} : number of poor (Q1) students in type of school i

X_1 : total poor students

x_{2i} : number of non-poor students in type of school i

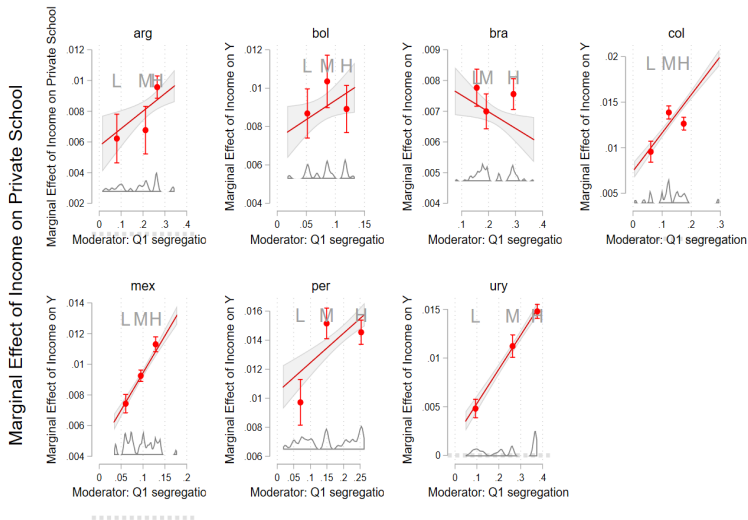
X_2 : total non-poor students

Income, segregation of low-income children in public schools, and opting out



Source: Author's calculations using Harmonized Household Surveys aggregated per state/department, urban areas only. 2018 attendance rates and 2014 Q1 Segregation

Opting out is stronger when low income children are more segregated

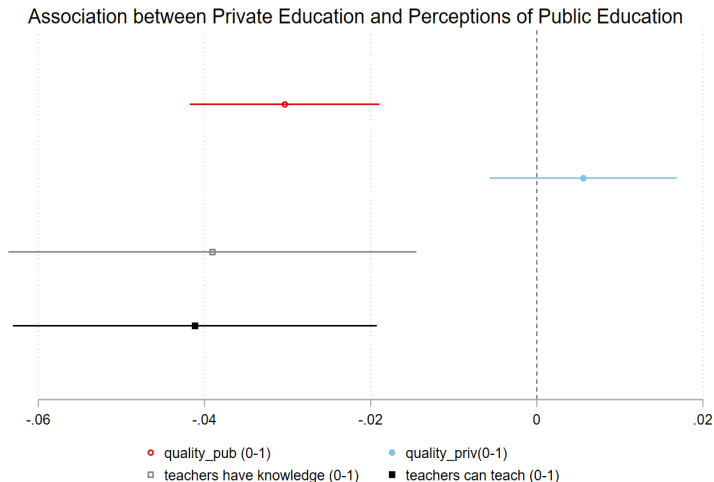


Source: Author's calculations using 2018 Harmonized Household Surveys
Interaction between state-level Q1 segregation and income

Does attending private school matter for the social contract?

In line with the **Institutionalized exit** argument, people who attended private schools report worse evaluations of public education

Attitudes towards public schools

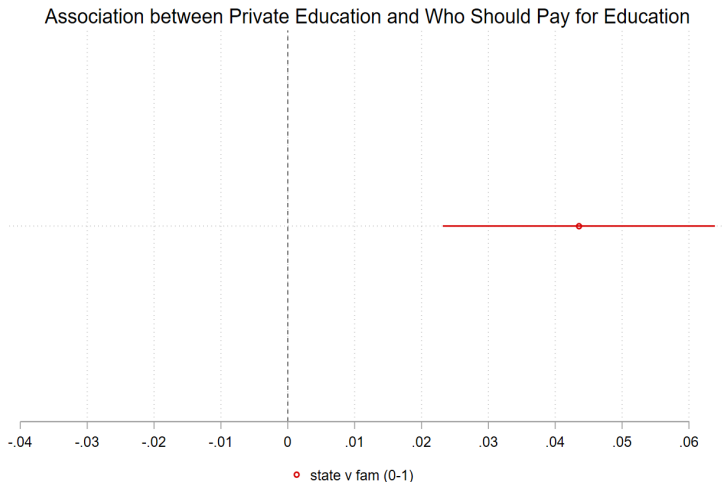


Source: Author's calculations using Latinobarometro 2011 (17 countries), w/ controls: Parent's education, Ethnicity, Urban/Rural, country FE

In line with the **Fiscal trap** prior work has found:

- evidence in favor of the reciprocity argument (Ortega et al. 2016, Castro and Scartascini 2015, Carrillo et al 2017)
- self-interest explains when middle income voters want to pay for public goods in Brazil (Xu 2022)
- people who pay for private health insurance have low tax morale (Castañeda et al 2020)

Attitudes towards public schools

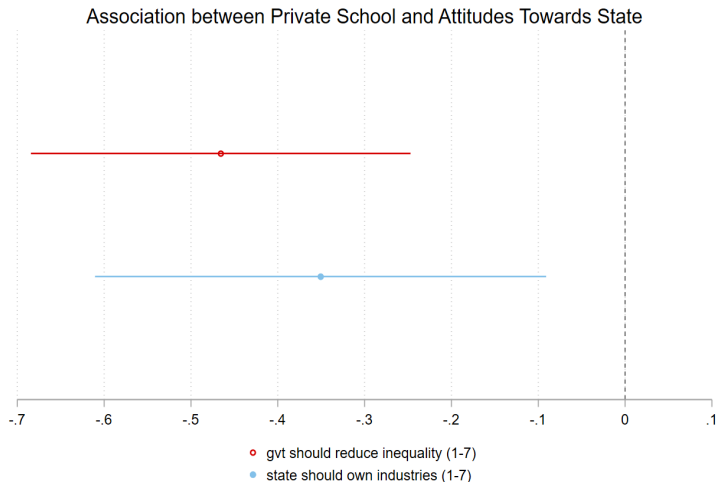


Source: Author's calculations using Latinobarometro 2011 (arg, bol, bra, chl, col, cri, rd, dom, ecu, slv, gtm, hnd, mex, nic, pan, pry, per, ury, ven) w/ controls: Parent's education, Ethnicity, Urban/Rural, country FE

In line with the **Social affinity/contact theory** argument:

- when students share experiences with others from lower social class, there is higher support for redistribution (Londoño-Velez 2022) and increases their pro-social behavior and altruism (Rao 2019)
- more support for redistributive policies in less economically segregated areas (Franko and Livingston 2020)
- redistribution is higher when distance between middle- and upper-class is higher than distance between middle- and lower-class (Lupu and Pontusson 2011)

Attitudes towards redistribution



Source: Author's calculations using LAPOP 2016 (Chile, Ecuador, Uruguay), w/ controls: Parent's education, Ethnicity, Urban/Rural, country FE

Summing up

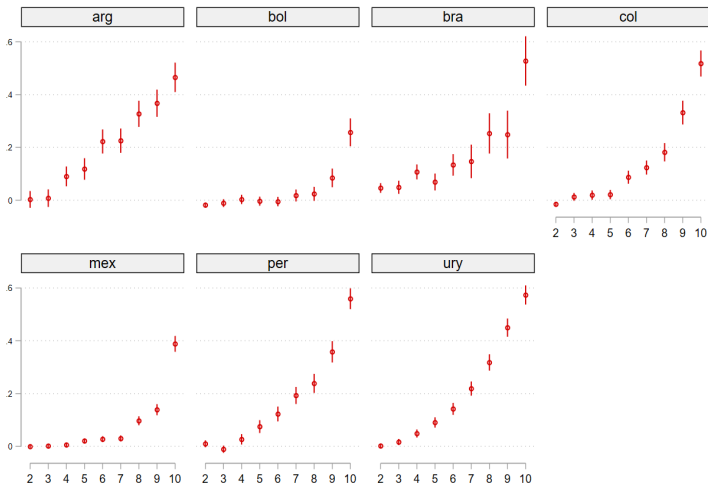
The share of households sending their children to private schools is on the rise in many countries

We review where this is happening, why, and what are the consequences.

Preliminary results point to multiple channels (with different policy implications) through which opting out can undermine the social contract

Does this extend to health? Prelim evidence suggest association is not as strong

Extra slide// Income is positively correlated with attending private schools, even after including controls



Source: 2018 Household Surveys, 6-18 yr olds
OLS w/ controls