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Seeing Inequality?

Relative Affluence and Elite Perceptions in Mexico

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El Colegio de México

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**Overcoming Inequalities in a Fractured World:
Between Elite Power and Social Mobilization**

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Acronyms

OECD	Organisation for Economic Co-operation and Development
MBA	Master of Business Administration
PhD	Philosophiæ doctor
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
CONEVAL	Consejo Nacional de Evaluacion de la Política de Desarrollo Social
INEGI	Instituto Nacional de Estadística y Geografía
CEEY	Centro de Estudios Espinosa Yglesias
GDP	Gross Domestic Product
USD	United States Dollars
MXN	Mexican Pesos
PPP	Purchasing Power Parity

Abstract

Among the many approaches attempting to explain the persistence of inequalities, the role of perceptions and relative measures remains under-explored. Based on over 40 in-depth interviews with members of the Mexican elite, this paper examines how the dissonance between elite perceptions and measured economic status matters for the social construction and perpetuation of inequality. This unique empirical data reveals that the “wealth bubbles” within which elites exist lead to an experience of *relative affluence*: although elites acknowledge being privileged compared to a majority of the population, they simultaneously feel poorer compared to the exceptionally wealthy peers in their social space. Consequently, despite showing concern about inequality and its negative effects, elites underestimate their own position in the overall income distribution, re-centring the distribution around their own incomes. Understanding elites as embedded in their particular sociality helps explain how the accumulation of advantages assures persistently high inequality in the country. For instance, where elites feel they “earned” their own social position through personal merit, they might insist on education as the key to overcoming inequality, even though due to the stratified opportunity structures in the country, such a “remedy” will actually perpetuate inequality, as it centralizes privileges rather than equalizing opportunities. Meanwhile, elites’ distorted perceptions of the majority’s wellbeing affects social cohesion by further alienating them from the rest and obstructs the implementation of effective policy to sustainably decrease inequality. Hence, elites’ policy recommendations, based on their perceptions, perpetuate inequality, meaning that ultimately perceptions end up influencing inequality levels.

Keywords

Inequality; elites; income distribution; perceptions; Mexico

Bio

Alice Krozer is currently a post-doctoral researcher at El Colegio de México’s Social Inequalities Seminar, with a PhD in Development Studies from the University of Cambridge. She has been a visiting researcher at Stanford University, and has worked as a consultant for ECLAC and Oxfam, among others.

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Introduction

Inequality has become the topic of the hour. Within most contemporary academic and public discourses, it is an acknowledged fact that vast inequalities exist, and that they have profound impacts on the societies experiencing them. However, research has not given substantive consideration to the fact that, as inequalities are perceived differently depending on one's position along the income distribution, perceptions and relative measures play an important role in the social construction of inequality. Focusing on Mexican elites, this paper considers how the dissonance between perceptions and measured economic status matters.

One of the most puzzling aspects of inequality is its persistence over time. Although Mexico has long been recognized as an unequal country, efforts to change this have been largely unsuccessful. An explanation for this conundrum can be found in the way that inequality is *perceived* rather than measured, especially among those members of society having the most impact on the formulation and implementation of public policies: the elites.

Although elites have long held an important place in multidisciplinary inequality research, most studies either blame them for maintaining an unfair distribution by conspiring against the rest (Dorling 2014; Mount 2012) or hail them for pushing up top incomes thanks to supposedly extraordinary individual characteristics (Rosen 1981; Kampfner 2014). Insufficient light has been shed on the role that their perceptions play in the persistence of inequality. As perceptions inform political behavior and policy preferences (Kuziemko et al. 2015; Cruces et al. 2013),¹ studying elites' perceptions is not only interesting out of scientific curiosity, as little is known, neither empirically nor theoretically, about how elites understand distributional dynamics. Rather, addressing this knowledge gap is a crucial step in any attempt to sustainably decrease inequalities in Mexico (and elsewhere). Identifying elites' views can thus give new insights to illuminate the old debate about the persistence of inequalities.

Research has repeatedly shown that, on average, people have a poor understanding of inequality.² Inconsistencies between measured inequality and people's perceptions appear regardless of methodological setups (Dawtry et al. 2015). Given how difficult it is to correctly estimate the distribution of income and wealth for skilled professionals, it is reasonable to expect that most "time-constrained, statistically unsophisticated citizens" have little *exact* knowledge about inequality levels (Gimpelson and Treisman 2015:5). However, rather than being randomly misinformed, respondents often systematically underestimate inequality levels and misidentify trends across countries (Norton and Ariely 2011; Chambers et al. 2014). Likewise, subjective social position, that is a person's self-placement in a social hierarchy, often varies greatly from the position that person would be allocated according to his or her income. For instance, in a study conducted in Spain, only 14 percent of participants correctly identified the decile of the national income distribution they fell into (Fernández-Albertos and Kuo 2015). In general, despite significant country-specific variation as to the degree of deviation (Bublitz 2017; Lindemann 2004), poor people tended to overestimate their ranks in the income distribution, while rich individuals underestimate theirs (Gimpelson and Treisman 2015).

¹ For instance, individuals' redistribution preferences relate to inequality *perceptions* rather than actual inequality levels. As such, in the United States, misestimations of inequality lead individuals to see less need for redistribution (Dawtry et al. 2015). See also Alesina et al. (2018), Bublitz (2017), Gimpelson and Treisman (2015), and Karadja et al. (2017).

² Karadja et al. 2017; Norton and Ariely 2011; Chambers et al. 2014.

One explanation for why individuals' estimates diverge from measured income rankings is that people make sense of the world based on their experience, mediated by beliefs of fairness, expectations about social mobility or other societal norms (Mijs 2019; Gimpelson and Treisman 2015).³ Accordingly, individuals make their inferences about inequality, poverty and affluence in society based on cues their environment affords. This process of "social sampling" (Dawtry et al. 2015) means that elites, like everybody else, have to be understood in "the social worlds within which they are embedded" (Khan 2015:83).

Taking the influence of context into consideration, inequality can thus look very differently for somebody at the bottom and the top of the income distribution. An interdisciplinary niche within the burgeoning literature on perceptions of inequality is starting to concern itself with the role elites play in these processes, and the way their particular experience conditions how they understand inequality. For instance, Hecht (2017) and Sherman (2017) explore the role of elite perceptions as drivers of wealth accumulation in the United Kingdom and the United States, respectively (see also Payne 2017), while Khan (2015) discusses the attitudinal differences between elites and the rest arising from "elite culture."

Not much is known about these issues in the global South, where social, political and institutional circumstances differ from those found in the global North. Even less related research is available for Mexico.⁴ However, if context determines perceptions, and our perceptions—whether correct or not—have an impact on our policy preferences and political behavior (Campos Vazquez et al. 2020), this makes perceptions a powerful driver of inequality, and (national) context a key factor to study its persistence, or reproduction. More to the point, it is *elite* perceptions that play a large role in enacted policies and preferences (Reis and Moore 2005); thanks to their disproportionate influence over policy making (Gilens 2012; Bartels 2008), it matters greatly *how* they view inequality, and consequently which responses to address the issue they support (and oppose).

Thus, in attempting to fathom the nature of inequality, it is important to understand perceptual particularities, their origins, and the standpoints of elites more generally. As I will show below, elites' perceptions diverge from those of other groups because the social worlds of elites and non-elites differ markedly. To sustain my argument, I will first present Mexican elites' particular perceptions of inequality. I will then illustrate how, in a reiterative fashion, exclusionary dynamics like spatial, social and institutional segregation first operate as causal factors in the construction of these elite perceptions to subsequently condition elites' preferred responses to deal with inequality. I will argue that their perceptions of, for instance, education as an equalizing policy also inform a self-image of deserving recipients of earned assets in a supposedly meritocratic context, which grants perceptions a key role both in the conception of self and in the process of inequality justification and legitimation. Understanding this bidirectional role that perceptions of the rich play in the social construction of inequality can thus help identify the kind of responses needed to effectively tackle it.

Before immersing ourselves in the analysis, the next section will provide a brief contextualization of inequality in Mexico. The third section outlines the methodology applied. The fourth presents

³ Alternatively, one might try to explain the discrepancy between the two measures with participants' dishonesty or disinterest, although the non-random patterns of self-placement observed contradicts the expected results for such explanations.

⁴ The main exceptions to this almost complete absence of information include Cerón-Anaya's (2019) account of elites' class and racial relations and Iturriaga's (2016) study of the Meridian elite.

the empirical results that the fifth section aims to explain. The sixth section discusses their implications and the last concludes.

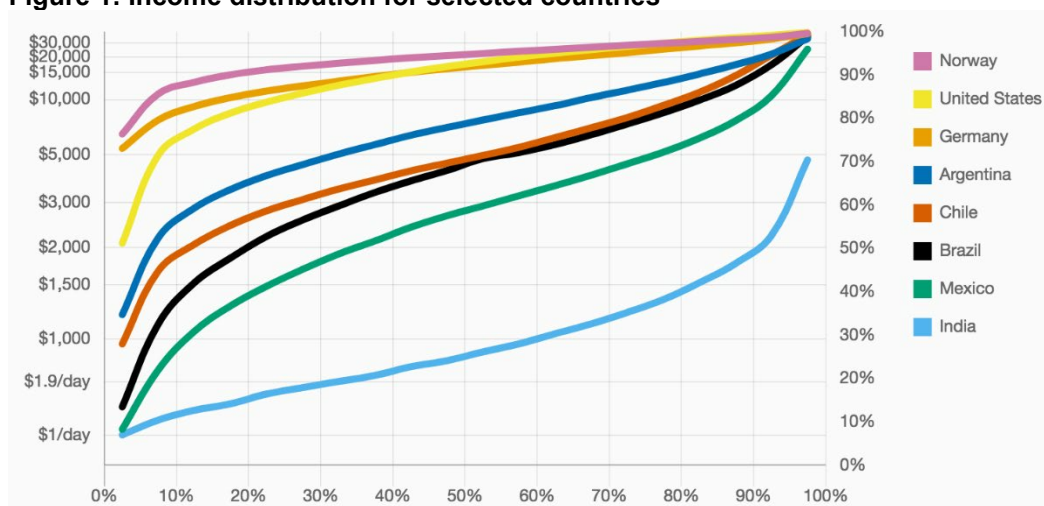
Inequality in Mexico

Mexico is among the countries with the highest inequality and lowest social mobility in the world. With a Gini coefficient of around 0.5 (CONEVAL 2019), less than 3 percent of those born in the lowest quintile will move up to the top quintile and only 2 percent from the top quintile will end up at the bottom (CEEY 2019). At the same time, the income ratio between the lowest and highest decile is 18.3 (INEGI 2019). While half of the population lives underneath the poverty line, the four richest men hold wealth equivalent to 9 percent of GDP (Esquivel 2015).

Mexico City is a suitable location to examine these issues: as the country's capital, it hosts most of the federal political elite and is a regional hub for international institutions, as well as businesses. It is the place with both the highest income threshold for the top 1 percent (Castañeda 2016) and the highest millionaire density in the country (Arriagada Cuadriello 2015). But inequalities in other dimensions are also particularly large within Mexico City. For both the quality and quantity of public goods provided, including water, electricity, sewage and transport, demarcations run along the same divisions as resident income clusters. The absolute (and growing) difference between income levels leads to richer boroughs being able to afford more and better public provision of basic services, alongside private supply by and for its rich residents. This exacerbates differences in experiences in every aspect of life between residents of different sections of the city. Intersectionality of inequality dimensions means that, depending on the neighbourhood inhabited, citizens might experience water shortage, lack of public security provision, inadequate housing, etc.—or none of those.

Moreover, these diverging experiences are again embedded in a national context with one of the largest ranges of income inequality in terms of the differences in income held by the poorest and richest groups in the population, respectively, as displayed in figure 1. Expectedly, the country's income distribution is worse than that of rich countries like Norway (or the often highlighted example of the increasingly unequal United States). However, the figure shows that inequality in Mexico also compares unfavorably to that of otherwise more similar countries in the (infamously unequal) Latin American region, like Argentina, Brazil or Chile. It visualizes the fact that poor people in Mexico not only have a lower share of total income than their counterparts in Brazil or Argentina, but that they earn similar incomes as the poor in India. Meanwhile, the income of Mexico's rich is (almost) comparable to that of rich people in wealthy OECD countries like Germany.

Figure 1: Income distribution for selected countries



Source: *Income-inequality.info* (2019) based on Lakner and Milanovic (2013).

Note: Country percentile vs. world income distribution; Income per person per year in 2011 PPP (Purchasing Power Parity) dollars

Once we disaggregate the top 5 percent presented by Lakner and Milanovic, these differences only become more notorious. According to the National Statistics Institute INEGI, the top 1 percent in Mexico earned a total monthly average household income of MXN 133,221 (~USD 7,087)⁵ in 2014 (del Castillo 2015).⁶ This compares to MXN 46,902 (USD 2,495) for the richest 10 percent of the Mexican population, a mean income of MXN 13,240 (USD 704) and MXN 2,572 (USD 137) for the poorest 10 percent. However, inequality *within* the top 1 percent is very high: average income for the top 0.01 percent is over 30 times that of the lowest top group (99.00-99.90 percent) (Campos Vázquez et al. 2016), compared to a ratio of 27 between the Mexican top and bottom deciles (Krozer et al. 2015). In absolute terms, Campos Vázquez et al. (2014) recalculate average income for the lowest 90 percent of the top 1 percent to lie between a slightly more modest MXN 112,000-127,000 (USD 5,958-6,756), the lowest 90 percent of the 0.1 percent as “only” MXN 437,000-651,000 (USD 23,249-34,634), and the top 0.01 percent, depending on the methodological assumptions used, as MXN 2.5-6 million (USD 133,000-320,000). Since these denote *average* incomes, the threshold for top 1 percent household incomes would lie just above MXN 100,000 (USD 5,320).

Receiving an income of these proportions in itself grants options to influence public debates and policies, be that through concerted strategies or as “by-products” of unrelated business investments or personal activities. They may include law-abiding campaign and election financing, bidding into and sponsoring of public infrastructure projects, exerting influence over regulatory agencies or politicians via donation of funds, or setting up lobbying foundations (not to mention illegal activities, corruption and bribery).⁷ Moreover, individual’s high incomes often

⁵ Dollar equivalents correspond to an exchange rate of MXN 18.8=USD 1 (11 January 2020).

⁶ This number is the official quotation and refers to the income reported in household surveys. However, as it is known that household surveys underestimate top incomes, new research by Campos Vázquez et al. (2014; 2016), del Castillo (2015), and Bustos and Leyva (2016) uses different methodologies to improve on household survey estimates’ underreporting top incomes. Their results differ significantly, but all of them apply large upward corrections to official accounts. In this paper, the thresholds I use follow Campos Vázquez et al. (2016).

⁷ As a political system that requires vast resources for aspiring politicians to be elected into office, the Mexican government is susceptible to elite pressures. Few candidates can cover the immense costs of running an independent campaign, and those who can tend to be members of the business elite (Krozer 2016).

stem from other sources of influence, predominantly their high-ranking professional positions in private and public sectors, intellectual clout and persuasion, or culture/sports-related fame. Where they own wealth, too, they may access and control media and strategic economic assets such as banks, natural resources, real estate or the energy sector (Krozer 2016). The frequent combination of these economic, social and political capitals provides elites with bargaining power, voice and assets to influence policy outcomes, should they wish to do so.⁸ To varying degrees, all of these strategies are pursued in Mexico, if not always intentionally; many appear, either overtly discussed or hinted at, among the testimonies collected for this study.

Data and Research Methods

I conducted 43 in-depth interviews with members of the Mexico City elite between October 2015 and October 2016. Combining definitions of Reis and Moore (2005) and Khan (2015), I understand “elites” as members of a loose group that comprises individuals within the top 1 percent of the country’s income distribution in positions of potential influence, that is those in possession of disproportionate amounts of both economic resources *and* at least one other source of capital (political, social, cultural, symbolic). I thus selected participants from within the highest social and occupational classes: 10 officials in public sector decision-making positions, including ministers and deputies; 25 private sector managers or directors; and 8 opinion-shaping academics, intellectual leaders or media professionals. Compared to the population as a whole, participants are extraordinarily well-educated. All of them have a first university degree; 21 hold a master’s or MBA degree; an additional 13 have, or are in the process of acquiring, a doctoral degree. At the national level, less than 1 percent of Mexican students hold a PhD (OECD 2015). Participants have attended the most prestigious—overwhelmingly private (except Universidad Nacional Autónoma de México, UNAM)—national (Instituto Tecnológico Autónomo de México, Tecnológico de Monterrey) and international universities (“Oxbridge” and United States Ivy league institutions).

I identified potential interviewees via a snowballing sampling, since peers are best able to access hidden populations like the elite (to avoid “community bias,” I started out with several independent chains). Moreover, thanks to the personal referrals, I was perceived as a trustworthy peer in most situations. This increases reliability of participants’ declarations and provides internal validation. According to the income thresholds for the top 1 percent discussed above, just over half of the interviewees fall within the 99-99.9 percent, whereas the remainder belong to the top 0.1 percent and above (up to MXN 2 million [USD 106,400] monthly).⁹ At least half of the participants additionally have high levels of wealth, placing them in the top percentiles of the country’s wealth distribution.

Although deliberate efforts were made to diversify the sample, women and ethnic minorities remain underrepresented. This is however also a defining feature of the top, of which 87 percent is male at the global level (WealthX 2016), a similar percentage as in my sample. Only two participants explicitly refer to themselves as “brown,” compared to over 80 percent at the country

⁸ For instance, they might pursue revolving door strategies or exert financial pressure through withholding corporate taxes, or threatening to boycott policies or stall the economy. Acemoglu and Robinson (2012) provide examples of extractive elites blocking technologies or increasing spending on education, if and when such policies do not promise them private gains.

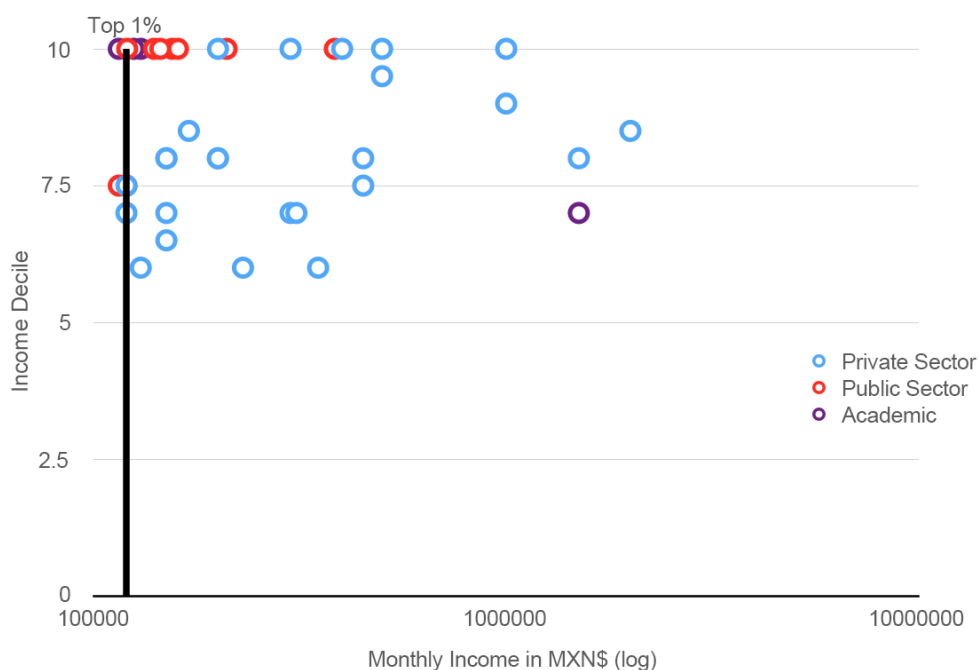
⁹ These amounts are current incomes only, not taking into account material or financial wealth held by the individual or his or her family, spouses’ income, government transfers or other incomes not related to the individual’s primary activities. I have insufficient information on 5 participants’ incomes to place them accurately within the top 1-3 percent.

level (Peralta 2017). Age within the sample ranges from 28 to 77 years; its average age of 45.6 years is well above the national average of 28. I did not aim to collect a representative sample of what constitutes “the elite.” Instead, my sample represents a variety of personal characteristics, including different political ideologies, religious beliefs, sexual orientations, ethnicities and migration histories, family statuses, and socio-economic backgrounds.¹⁰ Interviews were conducted in Spanish, recorded and transcribed verbatim.¹¹

Elite Perceptions of Inequality

To better understand how Mexican elites perceive inequality, I asked participants where they would locate themselves on the country’s income distribution. Figure 2 plots the participant’s perceived income rank against his or her actual income level. In line with the above-cited studies, most of my participants placed themselves on lower ranks than where they actually fall. Although all participants fall within the top *percentile* of the country (marked by the black vertical line at MXN 120,000 in figure 2), only just over one third located themselves in the highest *decile*, including the group of intellectual leaders (many of whom work with inequality-related topics), and three other participants. Although public sector officials and academics tend to gauge their positions more accurately, outliers exist even among these groups. The remainder placed themselves anywhere between the upper-middle ranks and as low as the median, fifth decile. Despite a tendency for those with higher incomes to situate themselves in a higher decile among private sector participants (whose incomes tend to be higher in absolute terms), no linear correlation exists between actual income level and perception. Instead, a marked mismatch between the two occurred at all income levels included in the sample, particularly in the private sector.

Figure 2: Decile self-placement among the Mexican elite, by monthly income



Source: Author elaboration

¹⁰ Elites might differ by location, therefore I restricted participation to Mexican nationals born, or residing for most of their life, in Mexico City.

¹¹ Three interviews were not recorded.

How can this phenomenon be meaningfully explained? In the following, I will give an account of inequality in Mexico according to its elites, to then proceed placing these perceptions within their particular social world, and bring forward a theoretical explanation for the observed mismatch.

Against stereotypes of elite indifference (Sherman 2017), participants are aware of, and concerned about, inequality and its negative consequences, which they blame for the country's violence epidemic and its endemic corruption.¹² They refer to inequality as a “ticking bomb [and] we don't know when it will explode” (#4). Despite a unanimous agreement that current inequality levels are too high, understanding of what exactly inequality is, and what it looks like in Mexico, differs among participants.

Asked to define the problem, two distinct groups emerged in the sample. On the one hand, academics and some public officials asserted that maldistributed resources are the core feature of multidimensional inequality in Mexico. On the other hand, participants, particularly in the private sector, mainly worry about access to education (and, to a lesser extent, cultural goods, political rights or legal guarantees) and see individual responsibility as the main determinant of outcomes. Accordingly, the first group emphasized the policy decisions underlying inequality's extreme level, whereas the second overwhelmingly sees inequality as something “natural” and persistent, but not negative *per se*, even “to a certain degree just” (#17), as long as “the poor” don't “starve to death” (#7).

This cut-off point beyond which inequality will allegedly be too extreme—when people at the low end of the distribution die of hunger—glosses over the existence of much inequality. The naturalization of inequality also blurs the distinction between inequality and *difference*, common among (private sector) participants. The resulting “normalization” of inequality predominantly worries the first group above, as this section director in a multilateral institution states:

These apartments right in front, they cost about USD 4000 per square meter. But when we go out for lunch, you will find all the workers eating on the bare ground. If that isn't inequality—caramba!—tell me what is inequality! They are building luxury things in very precarious working conditions, but it's seen as something natural. (#22)

Although all sectors agree that Mexico is currently facing excessive inequality, a repeated insistence that Mexico has “always” been highly unequal seems sufficient justification for inequality's existence (where “always” may start with the Conquista 500 years ago, refer to Prehispanic caste societies, or the participant's own lifetime). Accordingly, although participants are aware of inequality, it seems they don't know just *how* big the gap between the poor and the rich really is. A CEO claims workers think that “this guy [the boss] is earning 10 times what we are making” (#6), compared to actual ratios that are much higher (over 500:1 in the company where #33 is employed as a section manager).

Participants tend to underestimate actual inequality both in terms of total range and earning expectations along the distribution:

At [private university X], I think we were people from the seventh to the tenth

¹² Mexico ranked 123rd on the Corruption Perception Index 2016 (Transparency International 2017).

decile. You end up being closest with those that are like you, eighth-ninth decile more or less [because] aspirations and expectations about lifestyle [differ]. In Mexico, somebody from the sixth, fifth decile expects to earn around 20,000 pesos. Somebody from, say, my level couldn't even pay my children's school fees with 20,000! So my aspirations are much higher than theirs.” (#4)

While aspirations might differ, the thresholds suggested overestimate real income levels significantly. According to INEGI (2016), a—typically 3.9 member—household in the sixth decile can expect an average monthly income of MXN 11,622 (USD 618); MXN 9,492 (USD 505) for the fifth. Even if the reference to the “fifth-sixth decile” were meant as an estimate of *average* incomes instead, the estimates are too low. Some participants claimed to “have no idea” (#9) about median or mean income levels; those who ventured into numerical guesses invariably overestimated actual levels. An interviewee placing himself between the eighth and ninth decile (which would imply a monthly income of MXN 18,046-24,417 [USD 960-1,300]) proposes a mean income of “20,000 pesos in a household of two” (#1). This compares to an *actual* average monthly household income—again, for the typical family of four—of just over MXN 15,000 (including imputed rent; USD 798).

Although poverty is routinely mentioned as a consequence of inequality (and often conflated with inequality), the social reality that participants are exposed to differs from that of the majority in the country and perceptions of poverty often lack empirical accuracy and romanticize rural poverty: “I just grab a mango and eat. What should I worry about?” (#6). Salaries for low-income public employees that participants consider poor, like police officers, are overestimated by a factor of 3 (#2).¹³ In the majority's Mexico, 15 percent of the population is chronically malnourished (Tourliere 2017). The country spearheads world homicide-rankings (only surpassed by war-torn Syria in 2016), experiencing its highest homicide levels ever recorded in 2017 (Paullier 2017).

More than participants' awareness of (relative) poverty, their frequent reference to an exceptional wealth they perceive as far removed from their own position when explaining inequality is particularly revealing:

The thing is that the gap is really big—I mean the rich people are very rich! They live in ridiculous opulence, unimaginable. (#10)

To better understand this statement, we need to take a closer look at the world inhabited by these participants. In the following, I will illustrate the efficacy of mechanisms of “elite preservation” grounded in the physical, social and cultural spaces experienced by participants. I will first consider spatial and social discrimination, and thereafter turn to educational institutions.

The Mexican Elite's (Small) World

Spatial patterns of separation and discriminations

Increasing levels of income inequality and segregation over recent decades have meant that people grow up in less economically diverse environments. Participants report moving within a very

¹³ Participants working in the construction and manpower sectors, who pay their workers at (multiples of) the minimum wage, and those working in media and politics, are however aware of the devastatingly low minimum wage levels.

small radius of largely overlapping areas within the city where all work, play, and study are concentrated.

A case in point is the creation of the new urban development north of Polanco colloquially known as “Slim City” (or the Carso Blocks), referred to above by the international official (#22). It meant a colonization of formerly popular barrios and wasteland for their conversion into new upper-class neighborhoods. This kind of urban restructuring also affects the social and cultural planes by conditioning the provision of social infrastructure (members-only clubs replace public parks and sports facilities), driving up prices of groceries and education (luxury stores and private schools crowd out markets and public schools), altering symbolic references (personal drivers compete with public transport), and flaunting new residents’ conspicuous consumption (vacation destinations abroad, ostentatious penthouses with rooftop pools).¹⁴

The resultant commodification of public goods and restriction of social spaces to predominantly private spheres mean that even where elites may be geographically close to non-elites, in effect there is little overlap in the social worlds they occupy. This prevents those on either side of the divide from grasping the full extent of inequalities (Mijs 2017). Indeed, all participants report low levels of interaction with people outside their own socioeconomic groups; towards the low end of the distribution, most participants only interact with their domestic employees and workers in their companies, who remain far from the bottom. While low income sectors, both of these groups tend to earn at least minimum wage, which amounts to about double the income of the absolutely poor in the lowest decile.¹⁵ Their limited exposure to other contexts of poverty results in participants’ underestimation of poverty, which can lead them to consider income levels actually lying around the ninth decile as “poor” (as in the example of the supposed salary of a police officer above).

A participant mentions the “effort” it takes to escape one’s “own comfort” or “bubble,” while acutely aware of powerful “filters and paradigms you have as an adult” and “the way we have constructed society in Mexico” (#19); in other words, social structures in place in his environment work against the formation of relationships across socioeconomic strata. Such is the rigidity of this societal feature that the different segments within the elite share important personal features beyond the fact that they have more economic and/or political power. A young CEO summarizes these features when explaining why a poor person is considered “somebody from a completely different world [that] wouldn’t be compatible socially or family-wise,” inhibiting interaction:

In Mexico, it’s not just a question of money. It’s a cultural, racial and social issue. I mean, I am not like that, but the majority of people in the high social strata don’t like to interact with people they consider indigenous or Indio. (#1)

This statement encapsulates the predominant mechanisms through which socioeconomic in-groups are created and upheld. On the one side, discrimination is used as a tool to identify whom, where and how to *exclude*, enacted for example through structural racism. On the other side,

¹⁴ More than simply “normal” processes of gentrification, this example refers to the sudden appearance of a completely new neighbourhood partially adjacent to and partially on top of an old neighbourhood. Another example of this practice of spatial appropriation is the high-end neighbourhood of Santa Fe. See Turati (2014) for social consequences of *Nuevo Polanco*, and Osorno (2015) on its founder’s perspective.

¹⁵ It is not uncommon for participants to pride themselves on paying their domestic employees above minimum wage. Although the particularities of domestic service mean that they nevertheless often work under precarious conditions, they do tend to have a regular income, as opposed to large factions of informal workers.

segregation restricts with whom, where and how to *interact*, using vehicles of classism and cultural norms. The intimate entanglement of these mechanisms often makes it difficult to distinguish them. However, prominent examples of such inequality-reproducing micro channels of privilege transmission include a person's social heritage/family background, which again is connected to geographic environments of upbringing and educational institutions. The combined information about these characteristics help classify peers, as this participant explains:

With the chilangos [inhabitants of Mexico City], I understood how I had to classify them: what does the father do? In which school did he study? In which neighbourhood did he grow up?" (#11)

The ensuing categorization system ensures an accumulation of opportunities which selectively grant access to the exclusive and exclusionary spaces they protect. Overrunning declared differences in political inclination or occupational sectors within the elite, a group of individuals emerges that differs markedly from the majority of the Mexican population in terms of both physical and cultural attributes, while sharing important markers among themselves. As such, appearance and speech are recurrent themes. Often they are sufficient indicators to establish individuals' positions in the social hierarchy, participants assure, making social background in "classist" Mexico "obvious" to spot by simple "checkpoints," like accents, educational institution (#20) or skin color. These markers, moreover, reinforce each other. They increase distance between those that speak, dress and look "appropriately," and those that don't. Besides discrimination towards the poor, racial stereotyping is pervasive in the country. As the correlation between income and skin color is an empirical fact in Mexico (Solís et al. 2019), it is difficult to gauge to what degree these statements are based on observation or prejudice. Irrespectively, for many participants, this fact seems so obvious and natural that it is scarcely acknowledged as worth elaborating upon:

You would always think that somebody with caucasian features is from economically medium-high or high universes. That's normality in Mexico. (#4)

Participants feel the "special" treatment goes both ways. A public sector official explains that he cannot use public transport "because of my face [...] I am obviously a blondie [*güerito*]", which would increase risk of exposure to violence (#9). On the other hand, one of the few participants that did not comply with the expected "obvious" features ("I am very brown") points out that, in his experience, social standing seems to trump even ethnic prejudice:

I mean, it's not the same to snub a brownie [morenito] like me when he comes walking along, or when he arrives at a high-end restaurant in a fancy car accompanied by four bodyguards, right? As a teenager, if we went to a club, all my friends that look like you [blond] just went in, and to me they said: "no, this one doesn't pass." And today wherever I go it's the opposite, they even say "you, come!", right? (#20)

These experiences permit a peek into the shaping of "homogenous" social contexts. Since having friends and contacts from more diverse backgrounds reduces biases in misperceptions of inequality (Bublitz 2017; Cruces et al. 2013), decreasing opportunities for encounters with the respective "other" also decrease the capacity to relate to each other.

The manifestation of these exclusionary patterns and consequences of ingroup preferential treatments, independent of political or self-serving motivation, inform individuals' judgments and preferences (Dawtry et al. 2015). As such, the interaction with cultural references "typical of our stratum" (that is, "those higher-class backgrounds"), like "being used to reading Shakespeare" (#15), constitutes easily identifiable barriers to elite membership. The resultant cultural reference patterns are deeply engrained and predictive of "class" belonging. Participants' extraordinary emphasis on education, scrutinized in the following, corroborates this.

Formal and informal education

Relatively high social mobility spurred by urbanization and industrialization during the 1960s and 1970s sparked a firm belief in education as *the* means of socioeconomic ascent in Mexico (Solis 2012). For most of society, these patterns have long ceased to exist. Today, overall intergenerational mobility is low: although there exists some movement in the middle of the distribution, chances to move from the lowest quintile to the highest are less than 3 percent, while around half of those born in either the highest or lowest quintile remain there (CEEY 2019). Notwithstanding, many participants' blind faith in "education" as a necessity and, combined with personal effort, sufficient requisite for success persists, as this CEO relates:

Effort, work and education, that's my line... I am privileged, because I can give my children education. And my children's children will be even more privileged than my children. That's what I expect, what I aspire to. (#3)

This seemingly neutral statement encapsulates the consequences of accumulation of privileges: rather than being a social equalizer, education works as a mechanism of stratification, as it effectively contributes to increasing inequality when the children of the privileged will become yet more privileged (Friedman and Laurison 2019). Despite a monolithic belief in meritocracy,¹⁶ equality of educational opportunities does not exist in contemporary Mexico (INEGI 2017), where a degree from a private university can cost more than half a million pesos just in fees.¹⁷ An increasing bifurcation of formerly public goods into a public-private dichotomy of services shifted perceptions towards the superiority of its (expensive) private component. According to one CEO, "in Mexico everybody from the 4th to the 10th [decile] will send their children to private school" (#4). Although a real phenomenon that holds for public and private sector participants alike, the actual number among the Mexican population is closer to 20 percent of high school students in private education (OECD 2015). Besides, a creeping "elitization" of private services cements not only the hierarchical nature of this dualistic social system, but creates one within the private sector itself. Participants are acutely aware of this phenomenon:

There is a segmentation within private education and health: it is not the same to go to the Hospital ABC or just any low-level private hospital. It is not the same to go to the ITAM, where I studied, or any unrecognized private university. (#4)

This means that private education institutions catering to the elites specifically function as places of non-interaction with different strata. They offer practical applications of "othering" that combine meritocratic ideals with classic "classist" structures leading to "a sort of groupism" (#15). A participant's casual statement—perceived as obvious—concisely exposes this

¹⁶ According to the latest World Value Surveys, the Mexican conviction that hard work leads to success is only surpassed by Haiti, Trinidad and Tobago, and Yemen, and is on par with India (WVS 2019).

¹⁷ For instance, at Universidad La Salle, the inscription costs and fees amount to MXN7 1,303 (USD 3,793) per semester, or a total of MXN 570,424 (USD 30,350) for a bachelor degree.

amalgamate of structural discriminations:

Somebody descending from the Sierra Tarahumara [i.e. indigenous] wouldn't be able to become president of Televisa [the largest broadcasting company]. (#4)

The respective opportunities of the poor indigenous person in the northern mountains and the Televisa CEO, one of the richest individuals in the country, differ from the very outset. They live in different “Mexicos” where “different socioeconomic groups have different realities” (#16). These are also governed by different laws, because “if you have money you can buy justice” (#13A).

After describing some of the mechanisms creating these dissimilar parallel universes, we can now turn to the implications of this phenomenon to explain why elites perceive inequality as they do.

Relative Affluence: Re-centring the Distribution

Spatial and social separation thus mean that elites live in their “own” particular world. Their exclusive “bubbles” condition how they make sense of inequality. Rather than misperceiving reality, elites seem to understand their own experiences quite well. Where many fail though is in the assumption that the reality of others is similar to their own (Khan 2015). However, why do elites seem to worry about inequality in their wealthier-than-average environments?

Despite elites experiencing a truncated inequality structure with regards to the lower end of the distribution, they do in fact experience large inequalities. Theirs just looks different from others' because it is encompassed within a fraction of the distribution the rest rarely peeks into. Effectively, neither elites nor the rest see the whole picture. While elites cut off the lower end, the rest usually has little insight into how the top looks “on the inside.” The particularity of top income earners' perceptual framework is that those they are in social contact with, although not representative of the entirety of the income distribution, represent a relatively broad income range compared to other socioeconomic factions—simply because differences between top incomes are so large. This leads to a perceived lack of upwards relations “all the way up in the tenth decile” (#2, #4), “or [even] the ninth” (#10).

As differences within the top are almost comparable to those for society as a whole due to the massive absolute distance between incomes of MXN 120,000 and several million (as in my sample), members at the lower end of the elite universe feel relatively “poor” compared to those higher up. The more unequal the overall system gets, the stronger these effects become as a consequence of the physical and social compartmentalization defining their daily lives. Participants do appreciate the quality of life they enjoy, considering themselves well-off compared to those that work poorly-paid jobs out of necessity rather than having the privilege to choose their activities freely. However, the amount of “exceptional” peers in their surrounding shifts the baseline of what constitutes “average,” normalizes the extraordinary and reorients the self with respect to this new “normal.” From their own perspective, their (disproportionately affluent) universe extends so far upwards that most cannot realistically place themselves at the very top. This leads to a re-centring of the distributional universe around one's own position where the low end is cut by limited exposure to the poor, and the self is re-situated into the middle due to disproportionate exposure to other wealthy people, which elongates the high end.

The ambivalence of being torn between the appreciation of one's own privilege compared to those worse off, and awareness of the existence of others infinitely richer, is a constant feature in participants' accounts of their lots, including one characterizing himself as "the poor one of the group":

There is a level of very rich people that live in another world. I might earn well [monthly 0.5 million], but I never made real money. I mean, I can't complain about anything, I've got my assets... Still, life is expensive; I don't have a plane, I don't have a yacht, and I don't go to stay at the Ritz in Paris. Like these guys that can decide tomorrow: "let's go to Paris", they get their stuff, and they go! Right? (#31)

Although they would clearly be perceived as rich by the rest of society, within their own world and frame of reference, they are doing well, but not excessively so. Participants recognize their *relatively affluent* position compared to the "poor." A consequence of the seemingly limitless top and associated lifestyles is that the "real" rich's lifestyle is described with awe and sometimes incredulity, even within the top 1 percent:

They have their own planes. So they take their stuff and say: "let's go to our house in [Mexican beach resort] where they have eight rooms." I consider myself very well off, very fortunate, but nothing to do with these guys. And I am not talking about the [Carlos] Slim sort of fortunes, noooo, I'm talking about people that have 200, 300 million dollars of wealth. Me, I have like, ten, ok. (#31)

In their own universe, many therefore do not count themselves as part of the very top echelons, and seem to experience similar status anxiety looking up to their "rich" friends, as might be expected from relatively poor groups. The lack of clear correlation between participants' perceptions with income levels further confirms that their experience of relative affluence does not relate to the objective position within the income distribution (or even within the top 1 percent) they might hold, but to who they are comparing themselves to.

Thus, while segregated from a large part of society in virtually all aspects of daily life, members of the elite still live in a very heterogenous environment of high inequality at the top. Their self-placements, rather than a misperception, reflect a reality within this reference frame. Participants clearly use a different, re-centred reference scale for their estimates, where whom they consider poor earns incomes around the national average, while those perceived as rich are far removed from their own—comfortable, but not extraordinary—level.

Affluence thus becomes a multidimensional, dynamic and socially constructed—that is, relative—phenomenon (analogous to the acceptedly multidimensional, dynamic and socially constructed concept of poverty). The complex puzzle of differentiated perceptions of inequality can thus be resolved by resorting to a rather mundane explanation: we have to speak of inequality *as perceived by*, rather than something existing independently of reference. An elite's perception of inequality differs from that of the rest, because elites inhabit a different world—but one full of inequality nonetheless. In short, theirs is a *relative affluence*.

Conclusion

I have shown in this paper that perceptual particularities of the elites can be explained without resorting to arguments based on alleged manipulations, or difference in individual character often ascribed to the rich. Instead, the dynamics of the material worlds that elites inhabit tend to be different from those of the rest, particularly in high inequality contexts with spatial clustering of wealth. The problem is that distinct elite environments lead them to mistake *their* (wealthier) world with *the* world, thus hiding the reality of the many.

These findings have theoretical and practical implications. Firstly, wealth, as poverty, is a relational concept, and depends on references that we identify as meaningful. As these differ significantly, inequality perceptions differ. Elites might exclude the low end of the distribution from their mental maps. However, whereas for the rest of society “the 1 percent” represents a black box, elites actually exist inside this most unequal part of the distribution. Members of the elite, like everybody else, tend to compare their income and social standing to their surroundings rather than the country mean or general population. And since they *experience* a different, wealthier world, they are constrained in their ability to make overall references to society at large.

Therefore, differences within the top need to be better understood. Generalized conceptualizations of “the rich” as the top quintile, top 10 percent, or even top 1 percent, are not necessarily illuminating due to the fractal nature of top incomes. Moreover, wealth bubbles (analogous to poverty pockets) and their multidimensionality need to be acknowledged as a social problem that leads to side effects like diminished empathy on the individual level and suboptimal distributional policy for society, rather than part of the natural order of things.

Since perceptions are embedded in the particular social context, and perceptions of inequality—accurate or not—correlate with redistributive preferences, direct redistribution might seem less urgent where inequality is perceived as lower, and indirect solutions like the proposed education and poverty relief can be viewed as sufficient, making the processes observed here antagonistic to political efforts to reduce inequality. A first necessary intervention to tackle inequality, thus, is the creation and dissemination of better data on inequality.

Then, space in its physical, social and cultural spheres has to be desegregated to improve interaction. This could include tailoring public space to purposes of integration, rethinking urban planning to dissolve particularistic enclaves and encourage usage of public services including transport. Education and health care systems have to become more inclusive, which will require investments in infrastructure, itself subject to availability of funds and political will. Achieving this will take time and other scarce resources in a context of deeply engrained structural obstacles and cultural beliefs. It will require concerted efforts by public, private and civil sectors of society. Although costly, such interventions will nonetheless be a lesser price to pay for society than letting the status quo unleash its full centripetal forces, likely leading towards further social disintegration. Future research will have to determine the optimal policy responses to the results presented here, which will have to combine both informational and fiscal interventions.

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